Mullen Group Ltd.

2010 ANNUAL BUSINESS REVIEW

Management's Discussion and Analysis

Consolidated Financial Statements

and

Notes to the Consolidated Financial Statements

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HIGHLIGHTS

- **Business fundamentals continue to improve in 2010**
  - Consolidated revenue up 6.3 percent to $1,039.8 million
  - Operating income up 5.9 percent to $204.0 million
  - Operating margin relatively stable at 19.6 percent compared to 19.7 percent
  - Funds from operations increased by 24.1 percent to $150.1 million from $121.0 million
  - Net capital expenditures increased by 261.2 percent to $43.7 million from $12.1 million

- **Higher revenue and operating income in the second half of 2010 bolsters annual results**
  - Consolidated revenue up 22.0 percent or $102.0 million in second half of 2010 compared to 2009
  - Operating income up 25.6 percent or $23.1 million in second half of 2010 compared to 2009

- **Balance sheet as at December 31, 2010**
  - Working capital: $242.7 million (includes $113.3 million of cash and cash equivalents)
  - Net debt: $271.4 million (includes the debt component of Debentures of $117.1 million and debt that begins to mature in 2016 less working capital)

- **Announced intention to double the amount of annual dividends to $1.00 per common share from $0.50 per annum**

- **Closed five acquisitions in 2010**

OPERATING ENTITIES

Trucking/Logistics segment:

Cascade Carriers L.P.
Grimshaw Trucking L.P.
Kleysen Group L.P.
Mill Creek Motor Freight L.P.
Mullen Trucking L.P.
Payne Transportation L.P.
Smook Contractors Ltd. [1]
Tenold Transportation Limited Partnership

Oilfield Services segment:

Brady Oilfield Services L.P.
Canadian Dewatering L.P.
Cascade Energy Services L.P.
E-Can Oilfield Services L.P.
Formula Powell L.P.
FSJ L.A.N.D. Transport L.P.
Heavy Crude Hauling L.P.
Mullen Oilfield Services L.P.
OK Drilling Services L.P.
Pe Ben Oilfield Services L.P.
Premay Equipment L.P.
Premay Pipeline Hauling L.P.
Pro North Oilfield Services
R.E. Line Trucking (Coleville) Ltd.
Spearing Service L.P.
Swanberg Bros. Trucking L.P.
TREO Drilling Services L.P.
Withers L.P.

[1] Acquired in 2010 – formerly Smook Bros. (Thompson) Ltd.

MULLEN GROUP LTD.
2010 ANNUAL BUSINESS REVIEW

FORWARD-LOOKING INFORMATION STATEMENT

This Management's Discussion and Analysis ("MD&A"), dated February 23, 2011, reflects management's expectations regarding Mullen Group Ltd.'s ("Mullen Group" and/or the "Corporation") future growth, financial condition, results of operations, performance, business prospects, strategies and opportunities and contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "objective", "will", "should", "believe", "plan", "intend", "ongoing", "estimate", "may", "project" or similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this MD&A contains forward-looking statements within the meaning of applicable Canadian Securities laws relating to:

- Mullen Group's intent to use working capital, the Bank Credit Facility (as hereafter defined on page 7), and the anticipated cash flow from operating activities generated in 2011 to finance ongoing working capital requirements, dividends declared by the Board, and its 2011 net capital expenditures budget referred to under the Capital Resources and Liquidity section beginning on page 27; and
- Mullen Group expects virtually all of its 26 Operating Entities to show year over year growth with the highest growth levels in those businesses with close ties to oil sands activity and oil production, referred to in the Outlook section on page 64.

Readers are cautioned that expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. With respect to forward-looking statements contained within this MD&A, Mullen Group has made the following assumptions:

- the intention to use working capital, the Bank Credit Facility, and the anticipated cash flow from operating activities generated in 2011 to finance ongoing working capital requirements, dividends declared by the Board and its 2011 net capital expenditures budget was based on Mullen Group's belief that its access to cash will exceed its expected requirements; and
- the assumptions regarding year over year growth in virtually all of its 26 Operating Entities with the highest growth levels in those businesses with close ties to oil sands activity and oil production.

Although Mullen Group believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Mullen Group can give no assurance that they will prove to be correct.

Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the service and energy industry in general; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory, securityholder and other approvals as may be required from time to time; and changes in legislation, including but not limited to tax laws and environmental regulations. Accordingly, readers should not place undue reliance on the forward-looking statements contained in this MD&A.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Mullen Group are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements contained in this MD&A are made as of the date hereof and Mullen Group undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities law. Mullen Group relies on litigation protection for "forward-looking" statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

General

This MD&A for the fiscal year ended December 31, 2010 should be read in conjunction with the audited annual consolidated financial statements of Mullen Group for the fiscal year ended December 31, 2010. All amounts are in Canadian funds unless otherwise indicated. On May 1, 2009, Mullen Group Income Fund (the "Fund") converted from an income trust to a corporation whereby the business of the Fund is now carried on as a continuity of interests under Mullen Group, as detailed on page 6 under Significant Developments. Additional information on Mullen Group, including Mullen Group's Annual Information Form dated February 23, 2011 is available on SEDAR at www.sedar.com and on Mullen Group's website at www.mullen-group.com or, on request, free of charge from Mullen Group's Investor Services group, ir@mullen-group.com.

Corporate Profile

Mullen Group owns a network of independently operated businesses. Mullen Group is recognized as the largest provider of specialized transportation and related services to the oil and natural gas industry in western Canada and is one of the leading suppliers of trucking and logistics services in Canada – two sectors of the economy in which Mullen Group has strong business relationships and industry leadership. Mullen Group was incorporated on March 12, 2009 and commenced operations on May 1, 2009 as a result of the completion of a Plan of Arrangement (the "Arrangement") on May 1, 2009 under the Business Corporations Act (Alberta) involving, among others, Mullen Group, the Fund, Mullen Group Inc., MT Investments Inc. ("MT"), Mullen Co. Limited Partnership ("MCLP"), Mullen Holding Trust, Mullen Holding Co. Ltd., MTI Holding Co. Ltd., 1454593 Alberta Ltd., CIBC Mellon Trust Company (as voting and exchange Trustee), the holders of senior notes of MT and Securityholders (as hereafter defined on page 8) of the Fund and MCLP. Pursuant to the Arrangement, among other things, all of the issued and outstanding trust units ("Units") of the Fund and Class B limited partnership units ("MCLP B Units") of MCLP became common shares of Mullen Group and all of the subsidiaries (whether directly or indirectly owned) and operating businesses of the Fund became subsidiaries and operating businesses of Mullen Group. These indirect subsidiaries and operating business (whether limited partnerships or other entities) of Mullen Group carry on the business of Mullen Group. Mullen Group is a publicly-traded company listed on the Toronto Stock Exchange under the symbol "MTL".

Summary Description of Business

The business of Mullen Group is operated through indirectly wholly-owned companies and limited partnerships ("Operating Entities"). These Operating Entities are divided into two distinct operating segments; Oilfield Services and Trucking/Logistics. The segments are differentiated by the type of service provided, equipment requirements and customer needs. The capital and financial expertise, technology and systems support and strategic planning for the Operating Entities is provided by Mullen Group. The day to day management of the Operating Entities is conducted at the subsidiary level.

At December 31, 2010, the Oilfield Services segment consisted of 18 Operating Entities and utilized its highly trained personnel to provide specialized transportation services, drilling services, well-servicing equipment, warehousing and computerized inventory management to the oil and natural gas industry. These services include drilling rig relocation services, conductor pipe setting, core drilling, shallow gas and coal-bed methane drilling, casing setting, transporting of oversize and overweight shipments, pipe stockpiling and stringing, the transportation, handling and storage of oilfield fluids, tubulars and drilling mud, dredging and dewatering services and a broad range of services related to the processing and production of heavy oil, including well-servicing and pumping, hauling and disposal of fluids. The Trucking/Logistics segment consisted of 8 Operating Entities offering a diversified range of truckload and less-than-truckload ("LTL") general freight services to customers in Canada, the United States and Mexico. These services include transporting a wide range of goods including general

freight, specialized commodities such as cable, pipe and steel, over-dimensional loads such as heavy equipment, compressors and over-sized goods and dry bulk commodities such as cement and other dry bulk goods. In addition, the Trucking/Logistics segment provides logistics, warehousing and distribution, transload and intermodal services primarily in western Canada, as well as the production, excavation and transportation of various aggregate products.

Mullen Group's operating segments are comprised of 26 Operating Entities, each of which operates as a separate business accountable for its performance and profitability. The Operating Entities utilize both their own equipment and the services and equipment of owner-operators and subcontractors. As at December 31, 2010, Mullen Group owned or leased approximately 1,795 power units; had access to an additional 1,373 power units under contract with owner-operators and dedicated subcontractors; and employed approximately 4,500 people including owner-operators and dedicated subcontractors. Mullen Group also owned or leased 6,741 trailers (the vast majority of which are owned by Mullen Group), which include vans, flatbeds, dry bulk trailers, specialized trailers and temperature-controlled trailers. Mullen Group also owned and operated a fleet of truck-mounted drilling units, including 31 hydraulic single rigs capable of coring, surface casing and shallow gas drilling, 17 auger drilling rigs and 1 dual rotary rig. Mullen Group also owned and operated approximately 100 pieces of earth moving equipment consisting of excavators, dozers, rock trucks and front end loaders.

Accounting Principles

Mullen Group's audited consolidated financial statements for the years ended December 31, 2010 and 2009, have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The audited consolidated financial statements and MD&A were reviewed by Mullen Group's Audit Committee on February 22, 2011 and approved by Mullen Group's board of directors (the "Board") on February 23, 2011.

Mullen Group reports on certain non-GAAP measures that are used by management to evaluate performance of Mullen Group. Management believes these measures are useful supplemental measures. These non-GAAP measures do not have standardized meanings and may not be comparable to similar measures presented by other companies or income trusts. Specifically, operating income, funds from operations and funds from operations per share are not measures recognized by Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. For the readers' reference, the definition, calculation and reconciliation of non-GAAP measures is provided in the "Glossary of Terms and Reconciliation of Non-GAAP Terms" section of the MD&A. Readers should be cautioned that these non-GAAP measures should not replace net income and cash flow from operating activities as indicators of Canadian GAAP performance.

Materiality of Disclosures

Management determines whether or not information is "material" based on whether it believes a reasonable investor's decision to buy, sell or hold securities in Mullen Group would likely be influenced or changed if the information were omitted or misstated.

Objective of Mullen Group

The objective of Mullen Group is to increase shareholder value by pursuing the following strategies:

- Returns to shareholders
- Maintain a well structured balance sheet
- Operational Excellence
- Operate a decentralized business model

Returns to Shareholders

Mullen Group strives to maximize the overall returns to shareholders in two ways. Firstly, by pursuing a disciplined growth strategy and secondly, by the distribution of income to shareholders through the establishment of a stable dividend policy.

Growth Strategy

Mullen Group maintains a disciplined approach to growth. Mullen Group constantly evaluates both macro and market specific conditions and trends to identify opportunities for growth. Mullen Group has a proven track record of organic growth and successful acquisitions and intends to continue using capital investments to strategically expand its business over the long-term.

Mullen Group's approach to achieve the maximum overall returns to shareholders is based upon the following strategy:

- Invest in energy – invest in western Canada where the economic growth is higher due to the oil and natural gas and mining sectors of the economy and where Mullen Group believes future growth opportunities exist.

- Invest in accretive acquisitions – acquire competing, complementary or new business lines that can accelerate Mullen Group's growth potential.

- Diversify – continue to grow and invest where opportunities exist in the two segments of the economy where Mullen Group has strong market penetration and customer relationships, namely: the oil and natural gas services industry, and the transportation and distribution of freight within North America.

Since going public in 1993, Mullen Group, and its predecessors, the Fund and Mullen Transportation Inc., have grown annual revenues from $72.6 million in 1993 to $1.3 billion in 2008 and $1.0 billion in 2010. Since 1993, Mullen Group and its predecessors have acquired approximately 45 businesses. In 2010, Mullen Group acquired 5 businesses.

Distribution of income

Mullen Group has a business that generates cash in excess of its operating and financing requirements. As such, Mullen Group's second method of maximizing overall returns to its shareholders is to declare and pay dividends, subject to Board approval to provide an attractive cash return to our shareholders, while reinvesting the remainder of its funds from operations into external and internal growth.

Maintain a well-structured balance sheet

Mullen Group maintains a strong balance sheet structured in such manner to ensure, as much as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Mullen Group's reputation and carry-out its corporate objectives of growth and distribution of income. Furthermore, Mullen Group balances its capital structure with long-term Private Placement Debt as hereafter defined on page 8) that matures in 2016 and beyond.

In 2010, Mullen Group generated $150.1 million in funds from operations (2009 - $121.0 million). At December 31, 2010, Mullen Group had $242.7 million of working capital (2009 - $248.5 million), $113.3 million of cash and cash equivalents (2009 - $204.9 million), a debt-to-equity ratio of 0.44:1 (2009 - 0.45:1) and an acid test ratio of 2.16:1 (2009 – 2.47:1).

Operational Excellence

The business of Mullen Group is managed on behalf of its shareholders based upon the principles of generating superior profitability and striving for excellence in safety. To achieve these two goals Mullen Group has committed to the principles of Total Quality Management, which have been incorporated into Mullen Group's program known as "On the Road to Quality". This award winning program is based upon the foundation that Mullen Group's people are the key to the future success of Mullen Group. In support of this belief Mullen Group seeks to provide its employees with:

- A quality work environment
- On-going training and skills upgrading
- Career growth opportunities
- Effective technology to enhance systems and processes
- Incentive based-pay

Operating in a team environment, Mullen Group challenges its employees to make decisions on all aspects relating to the operations of the business. By doing so, Mullen Group believes that it can improve customer service, enhance business processes, maintain cost controls, obtain excellence in safety and generate superior profitability. Mullen Group evaluates operational excellence by benchmarking operating income margins, safety statistics and return on invested capital of each Operating Entity.

Operate a decentralized business model

Mullen Group has two operating segments and operates in a decentralized business model that is non-hierarchical in nature. Mullen Group provides overall support to the Operating Entities; co-ordinating business strategies, monitoring financial and business performance and providing centralized services on an as-needed basis. Operating Entities share overarching common principles of operational excellence and profitability. Each Operating Entity is held accountable for its own performance and results. The management and employees of these Operating Entities are remunerated based upon the performance of their business unit.

Mullen Group believes this model generally results in superior customer service, lower costs and provides greater operational flexibility as compared to a fully-integrated business model. Giving responsibility and the necessary authority to the Operating Entity encourages greater entrepreneurship and innovation as the teams are empowered and rewarded for their actions.

SIGNIFICANT DEVELOPMENTS

Disclosure Regarding Issuer Bid

Mullen Group commenced a Normal Course Issuer Bid (the "Bid") on June 15, 2009, to purchase from time to time, as it considered advisable, up to 7,379,118 of its issued and outstanding common shares on the open market through the facilities of the Toronto Stock Exchange ("TSX"). Under the Bid, Mullen Group repurchased and cancelled 1,902,475 common shares during the second quarter of 2010 at an average purchase price of $14.34 per common share. This Bid expired on June 14, 2010 at which time Mullen Group received acceptance from the TSX of its Notice of Intention to commence a new Normal Course Issuer Bid (the "New Bid").

Mullen Group commenced the New Bid on June 16, 2010, to purchase from time to time, as it considers advisable, up to 7,330,594 of its issued and outstanding common shares on the open market through the TSX. Under the New Bid, the number of common shares that can be purchased is subject to a daily maximum of 41,966 common shares (which is equal to 25.0 percent of the average daily trading volume of the common shares of Mullen Group from December 1, 2009 through to May 31, 2010). The price that Mullen Group will pay for any common share under the New Bid will be the prevailing market price on the TSX at the time of such purchase. Common shares acquired under the New Bid will be subsequently cancelled. The New Bid will terminate on June 15, 2011 or such earlier time as the New Bid is completed or terminated at the option of Mullen Group. As at February 1, 2011, no common shares were repurchased under the New Bid and Mullen Group had 78,764,889 common shares outstanding. Copies of the Notice of Intention to Make a Normal Course Issuer Bid dated June 14, 2010 pursuant to which the Normal Course Issuer Bid was made, may be obtained by securityholders, without charge, by contacting Mullen Group at 121A - 31 Southridge Drive, Okotoks, Alberta, T1S 2N3 (Telephone: (403) 995-5200, Telecopy: (403) 995-5296).

Acquisitions

In 2010, Mullen Group completed five acquisitions by purchasing directly or indirectly all of the issued and outstanding common shares of Radium Industrial Solutions GP Ltd. ("Radium"), Ger-Ed Transport Ltd. ("Ger-Ed"), GVT Inc. ("GVT"), Smook Contractors Ltd., formerly known as Smook Bros. (Thompson) Ltd. ("Smook"), and 4645295 Manitoba Ltd.,("464 Manitoba Ltd.").

On November 1, 2010, Mullen Group indirectly acquired Radium, a private oilfield fluid transportation company operating out of the Grande Prairie, Alberta area for total cash consideration of $6.2 million. The results from operations have been included in the Oilfield Services segment.

On July 1, 2010, Mullen Group indirectly acquired Ger-Ed and GVT, two private transportation companies operating out of the Winnipeg, Manitoba area for total cash consideration of $4.6 million. The results from operations of Ger-Ed and GVT are included in the Trucking/Logistics segment.

On April 30, 2010, Mullen Group acquired Smook, a privately owned company operating out of the Thompson, Manitoba area for total cash consideration of $12.0 million. Smook is a multidimensional heavy civil construction company that provides services such as infrastructure construction, mine site work and tailings pond construction to the energy, natural resources and government sectors. The results from operations are included in the Trucking/Logistics segment.

On January 4, 2010, Mullen Group acquired 464 Manitoba Ltd., a privately owned oilfield fluid transportation company operating out of the Waskada, Manitoba area for cash consideration of $2.1 million. The results from operations are included in the Oilfield Services segment.

During June 2010, pursuant to its April 2008 obligations, Mullen Group paid additional cash consideration of $0.2 million (2009 - $1.0 million) arising from its indirect acquisition of R.E. Line Trucking (Coleville) Ltd. and David Tuffs Holdings Ltd. (collectively "R.E. Line").

In 2009, Mullen Group completed three small acquisitions being the acquisition of certain assets and business from Coledan Carriers Ltd. ("Coledan"), the acquisition of certain assets and business from Blackwater Oil & Gas Co. Ltd. and Blackwater Construction Co. Ltd. (collectively, "Blackwater"), and the acquisition of shares of Durango Oilfield Services Ltd. ("Durango").

On October 31, 2009, Mullen Group acquired certain assets and business from Coledan, a dry bulk transportation services company operating out of Entwistle, Alberta. The results of operations have been included in the Trucking/Logistics segment.

On August 18, 2009, Mullen Group acquired certain assets and business from Blackwater, an oilfield transportation company operating in the Tumbler Ridge, British Columbia area. The results of operations have been included in the Oilfield Services segment.

On January 31, 2008, the Fund acquired a 50.0 percent interest in Durango, an oilfield fluid transportation company operating in the Hudson's Hope, British Columbia area. On August 6, 2009, Mullen Group acquired the remaining 50.0 percent interest of Durango for consideration of $3.7 million. Mullen Group has included in its 2009 net income $0.1 million of earnings from this equity investment for the period up to August 6, 2009 (2008 - $0.2 million). The results of operations since August 6, 2009 have been included in the Oilfield Services segment.

These acquisitions have been accounted for by the acquisition method and results of operations have been included in the 2010 Consolidated Financial Statements from the date of acquisition. Total consideration for acquisitions during 2010 amounted to $25.0 million, which includes the $0.2 million of additional R.E. Line consideration, compared to $7.0 million in 2009.

Bank Credit Facility

As a result of Mullen Group's strong working capital and cash position, on June 17, 2010 Mullen Group decided to replace its $75.0 million three year extendible revolving unsecured credit facility ("$75.0 Million Credit Facility") with a new $25.0 million revolving demand credit facility ("Bank Credit Facility"). This Bank Credit Facility does not have any financial covenants, however, Mullen Group must be in compliance with certain reporting and general covenants. By replacing the $75.0 Million Credit Facility with the Bank Credit Facility, Mullen Group will reduce its annual bank fees by $0.5 million. Interest on the Bank Credit Facility is payable monthly and is based on either the bank prime rate plus 1.0 percent or bankers' acceptance rates plus an acceptance fee of 2.0 percent. As at December 31, 2010, the Corporation had not drawn any monies on this facility.

Converted from an Income Trust to a Corporation

On May 1, 2009, the holders of Units of the Fund and MCLP B Units of MCLP (collectively, "Securityholders") approved the Arrangement that resulted in the conversion of the Fund from an open-ended income trust to a corporation called Mullen Group Ltd. Pursuant to the Arrangement, Securityholders received one common share of Mullen Group in exchange for each Unit or MCLP B Unit held. Mullen Group as the successor in interest to the Fund will be accounted for as a continuity of interests. As a result, the consolidated financial statements of Mullen Group for the year ended December 31, 2010 and comparables for the year ended December 31, 2009 reflect the financial position, results of operations and cash flows as if Mullen Group had always carried on the business formerly carried on by the Fund. Throughout this MD&A, references made to cash distributions declared, cash distributions per unit, and cash distributions paid reflect business of the Fund that occurred prior to conversion from an open-ended income trust to Mullen Group. The Operating Entities, previously owned by the Fund and which are now owned by Mullen Group, continue to be managed in two distinct operating segments: Oilfield Services and Trucking/Logistics.

Convertible Unsecured Subordinated Debentures

On May 1, 2009, Mullen Group issued by way of private placement an aggregate principal amount of $125.0 million of convertible unsecured subordinated debentures (the "Debentures") at a price of $1,000 per Debenture. The Debentures mature on July 1, 2018 and bear interest at an annual rate of 10.0 percent payable quarterly in arrears on March 31, June 30, September 30, and December 31 in each year beginning June 30, 2009. Each $1,000 Debenture is convertible into 93.2 common shares of Mullen Group (such is based on a conversion price of $10.73) at any time at the option of the holders of the Debentures. Thus, an aggregate of approximately 11.65 million common shares of Mullen Group may be issued if all holders convert their principal amount. In addition to the principal amount, as Debentures are converted, any accrued and unpaid interest is also converted into common shares of Mullen Group at a conversion price of $10.73. As subordinated debt, the accounting value assigned to the Debentures, including any related interest expense, is excluded from Mullen Group's financial covenant calculations on its U.S. $100.0 million of Series A Notes, U.S. $50.0 million of Series B Notes, CDN. $70.0 million of Series C Notes, CDN. $70.0 million of Series D Notes, U.S. $85.0 million of Series E Notes, and CDN. $20.0 million of Series F Notes (collectively, the "Private Placement Debt"). The Debentures are also subordinated to the Bank Credit Facility.

As at December 31, 2010, Debentures in the aggregate principal amount of $143,000 plus accrued and unpaid interest were converted into 13,590 common shares of the Corporation. As at February 1, 2011, Debentures in the aggregate principal amount of $643,000, plus accrued and unpaid interest were converted into 60,584 common shares of the Corporation.

2010 ANNUAL FINANCIAL REVIEW

SELECTED ANNUAL INFORMATION

Years ended December 31 *($ millions, except share, per share and per unit amounts)*		2010		2009		2008
Financial Results						
Revenue	$	**1,039.8**	$	978.0	$	1,314.2
Operating income[1]		**204.0**		192.6		276.1
Unrealized foreign exchange (gain) loss		**(14.1)**		(40.0)		49.3
Net income		**79.1**		90.8		113.0
Net income – adjusted[2]		**66.0**		50.1		116.9
Funds from operations [1]		**150.1**		121.0		246.2
Cash flow from operating activities		**97.4**		212.2		203.8
Cash distributions declared to unitholders		**—**		18.1		144.8
Cash dividends declared to common shareholders		**39.6**		20.2		—
Financial Position						
Long-term debt (includes the current portion thereof and the debt component of Debentures)		**517.1**		528.8		521.4
Debt-to-equity ratio		**0.44:1**		0.45:1		0.47:1
Total assets		**1,941.0**		1,926.9		1,882.1
Share Information						
Funds from operations per share [1]	$	**1.89**	$	1.50	$	3.06
Cash flow from operating activities per share	$	**1.19**	$	2.63	$	2.53
Cash distributions declared per unit	$	**—**	$	0.225	$	1.80
Cash dividends declared per common share	$	**0.50**	$	0.25	$	—
Earnings per share – basic	$	**1.00**	$	1.13	$	1.40
Earnings per share – diluted	$	**0.98**	$	1.10	$	1.40
Earnings per share – adjusted[2]	$	**0.83**	$	0.62	$	1.45
Share price – December 31	$	**16.91**	$	16.35	$	12.76
Other Information						
Net property, plant and equipment additions		**43.7**		12.1		58.3
Acquisitions		**25.2**		5.3		147.9

(1) Refer to the Glossary of Terms and Reconciliation of Non-GAAP terms section on page 62
(2) Net income and earnings per share have been adjusted to eliminate the impact of unrealized foreign exchange gains and losses as well as the tax impact as though Mullen Group had been a corporation since January 1, 2009.

CONSOLIDATED

Revenue

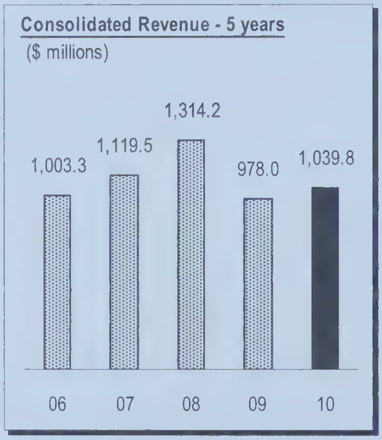
Revenue is generated by the Corporation through its Operating Entities. These Operating Entities are divided into two operating segments, namely Oilfield Services and Trucking/Logistics. The Corporation's Operating Entities utilize a combination of company assets which are either owned by the Corporation or leased under long-term operating leases ("Company Equipment"), owner-operators who provide trucks and/or trailers and work exclusively for the Corporation under annual contracts and subcontractors who own their own equipment and are used during times of peak demand (collectively, "Contractors").

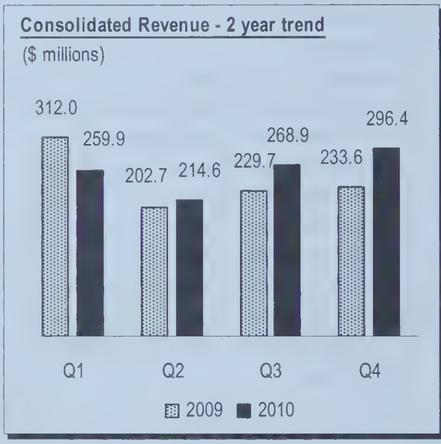
Consolidated Revenue - Years ended December 31

($ millions)	**2010**		2009		Change
	$	%*	$	%*	$
Company	**609.3**	**58.6**	557.9	57.0	51.4
Contractors	**422.7**	**40.7**	413.8	42.3	8.9
Other	**7.8**	**0.7**	6.3	0.7	1.5
Total	**1,039.8**	**100.0**	978.0	100.0	61.8

** as a percentage of total Consolidated revenue*

Consolidated revenue generated for the year ended December 31, 2010 was $1,039.8 million, an increase of $61.8 million, or 6.3 percent from the $978.0 million generated in 2009. This increase was attributable to greater revenues generated by both the Oilfield Services segment and the Trucking/Logistics segment. In 2010, Mullen Group experienced a trend of strengthening demand for the majority of services provided by its two segments with revenue growth in the second, third and fourth quarters of 2010 as compared to 2009. This growth more than offset the decrease in consolidated revenue experienced in the first quarter. Consolidated revenue in the first quarter decreased year over year by 16.7 percent or $52.1 million. This decrease was more than offset by progressively higher revenue during the remainder of the year. Consolidated revenue in the second, third, and fourth quarters of 2010 increased year over year by 5.9 percent or $11.9 million, 17.0 percent or $39.2 million, and 27.2 percent or $62.8 million respectively. The decrease in the first quarter resulted mainly from the decline in capital investment in major projects, including the development of Canada's oil sands deposits in northern Alberta, a lack of large diameter pipeline construction activity, and a reduction in demand for rig relocation services. The revenue growth experienced in the second, third and fourth quarters resulted from stronger demand for the majority of services provided by Mullen Group's Operating Entities coupled with the incremental revenue generated from acquisitions.





Direct Operating Expenses

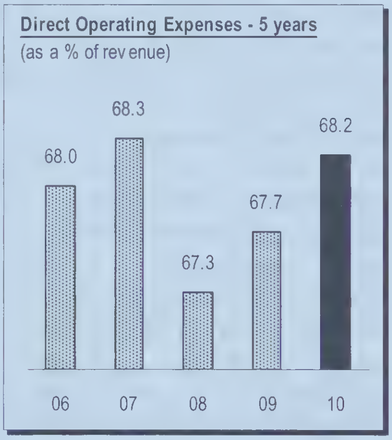
Direct operating expenses include two main categories of expenses. The first category of direct operating expenses relates to the direct costs incurred to operate and maintain Company Equipment. The major direct operating expenses associated with operating Company Equipment are wages, fuel, repairs and maintenance, and operating supplies. The Other expenses included under direct operating expenses - Company mainly consists of operating leases, equipment rent, insurance, taxes and licensing costs. The second category of direct operating expenses are the costs incurred to hire Contractors, whether owner-operators or subcontractors.

Consolidated Direct Operating Expenses - Years ended December 31

($ millions)	**2010**		2009		Change
	$	%*	$	%*	$
Company					
Wages and benefits	**160.6**	**26.4**	150.5	27.0	10.1
Fuel	**49.6**	**8.1**	40.9	7.3	8.7
Repairs and maintenance	**87.5**	**14.4**	80.0	14.3	7.5
Operating supplies	**64.7**	**10.6**	51.4	9.2	13.3
Other	**31.1**	**5.1**	32.6	5.9	(1.5)
	393.5	**64.6**	355.4	63.7	38.1
Contractors	**315.9**	**74.7**	307.1	74.2	8.8
Total	**709.4**	**68.2**	662.5	67.7	46.9

** as a percentage of respective Consolidated revenue*

Direct operating expenses for the year ended December 31, 2010 increased to $709.4 million, up $46.9 million, or 7.1 percent from the $662.5 million generated in 2009. Direct operating expenses related to Company Equipment increased by $38.1 million to $393.5 million, or 64.6 percent of Company revenue, compared to $355.4 million or 63.7 percent of Company revenue in 2009. The lower margin on Company Equipment was mainly attributable to higher operating supplies and fuel costs as a percentage of Company Revenue. The increase in operating supplies was due to materials purchased for the previously announced Thin Fine Tailing ("TFT") Barge System project. The increase in fuel costs was due to a year over year increase in the cost per litre of diesel fuel. Direct operating expenses related to Contractors increased by $8.8 million to $315.9 million, or 74.7 percent of Contractor revenue, as compared to $307.1 million or 74.2 percent of Contractors revenue in 2009. The lower margins on Contractors was mainly experienced within the Oilfield Services segment whereby lower average rates within those Operating Entities leveraged to the transportation of fluids and the servicing of wells could not entirely be passed along to Contractors. Direct operating expenses as a percent of revenue increased to 68.2 percent in 2010 from 67.7 percent in 2009 due to lower margins on both Company Equipment and Contractors. In terms of gross margin, Mullen Group experienced a year over year increase of $14.9 million on a consolidated basis, however, on a percentage of revenue basis the margin decreased to 31.8 percent of revenue as compared to 32.3 percent in 2009.

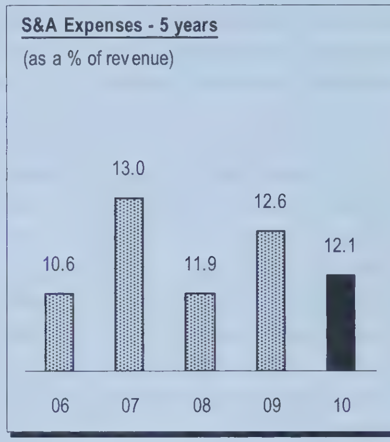


Selling and Administrative Expenses

Selling and administrative ("S&A") expenses include salaries, employee profit share and other administrative expenses incurred to support the operations of Mullen Group and its Operating Entities.

Consolidated Selling and Administrative Expenses - Years ended December 31 ($ millions)	2010		2009		Change
	$	%*	$	%*	$
Wages and benefits	**64.9**	**6.2**	69.6	7.1	(4.7)
Communications, utilities and general supplies	**33.5**	**3.2**	34.6	3.6	(1.1)
Profit share	**13.5**	**1.3**	—	—	13.5
Rent and other	**13.5**	**1.3**	16.6	1.7	(3.1)
Foreign exchange loss	**1.0**	**0.1**	2.1	0.2	(1.1)
Total	**126.4**	**12.1**	122.9	12.6	3.5

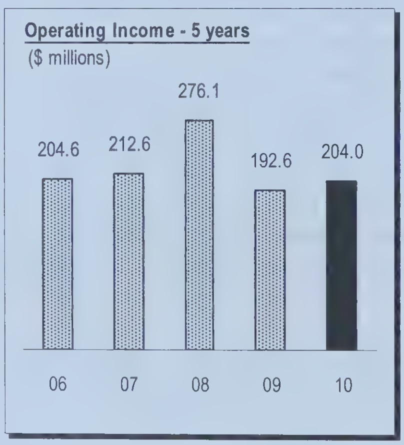
** as a percentage of total Consolidated revenue*

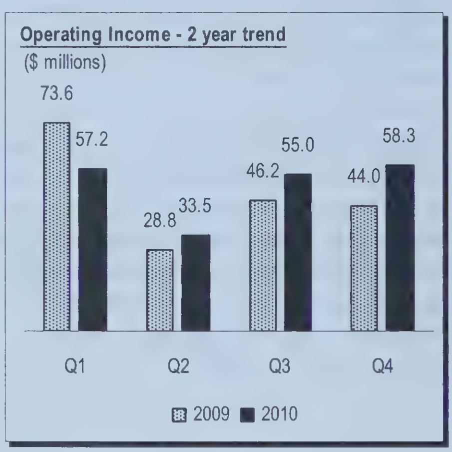


S&A expenses for the year ended December 31, 2010 increased by $3.5 million to $126.4 million from $122.9 million in 2009. This $3.5 million increase was mainly due to $13.5 million of profit share expense resulting from the reinstatement of the profit share plan for 2010. This increase was somewhat offset by a $4.7 million decrease in wages and benefits which mainly occurred in the Oilfield Services segment. The Oilfield Services segment also accounted for the majority of the cost reductions associated with rent expense as certain land and buildings under lease were either purchased by the Corporation while other facility leases were not renewed. The $1.1 million year over year variance in foreign exchange loss was mainly experienced in the Trucking/Logistics segment. S&A expenses as a percentage of revenue decreased by 0.5 percent to 12.1 percent from 12.6 percent in 2009.

Operating Income

Operating income[1] for the year ended December 31, 2010 increased by $11.4 million to $204.0 million from $192.6 million in 2009. In 2010, Mullen Group experienced a trend of strengthening demand for the majority of services provided by its Operating Entities with growth in operating income[1] over the second, third and fourth quarters of 2010 which more than offset the decrease in operating income[1] experienced in the first quarter. Operating income[1] in the first quarter decreased year over year by $16.4 million. This decrease was more than offset by progressively higher operating income[1] during the remainder of the year. Operating income[1] in the second, third and fourth quarters of 2010 increased year over year by 16.3 percent or $4.7 million, 19.1 percent or $8.8 million, and 32.5 percent or $14.3 million, respectively.





The $11.4 million increase was attributable to greater operating income[1] being generated by both the Oilfield Services segment and the Trucking/Logistics segment. The Oilfield Services segment accounted for $5.7 million of the increase which was mainly due to an increase in drilling activity and its impact on those Operating Entities most directly tied to oil and natural gas drilling activity. This increase was somewhat offset by lower operating

income[1] from a lack of capital spending on projects associated with large diameter pipeline construction. The Trucking/Logistics segment added an additional $4.6 million of operating income[1] which was mainly attributable to both incremental operating income[1] from acquisitions and stronger demand for transportation services in western Canada. Overall, operating income[1] as a percentage of revenue decreased slightly to 19.6 percent from 19.7 percent in 2009.

[1] Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.

Depreciation on Property, Plant and Equipment

Depreciation on property, plant and equipment for the year ended December 31, 2010 decreased by $4.1 million to $57.5 million from $61.6 million in 2009. Depreciation in the Oilfield Services segment decreased by $5.8 million by virtue of the sale of some under-utilized assets combined with lower capital expenditures and the Corporation's declining balance method of depreciation. In addition, lower depreciation was recorded on core drilling rigs in 2010 due to reduced drilling days. Core drilling rigs are depreciated based on the number of operating days which decreased from 283 days in 2010 compared to 402 days in 2009. Depreciation in Corporate Office also decreased slightly by $0.1 million. These decreases were slightly offset by a $1.8 million increase in depreciation in the Trucking/Logistics segment resulting mainly from property, plant and equipment purchased on acquisitions in 2010.

Amortization on Intangible Assets

Intangible assets are acquired as part of acquisitions and are mainly comprised of customer relationships' values, and non-competition agreements which are amortized over their estimated life. For the year ended December 31, 2010, amortization on intangible assets increased by $0.4 million to $19.0 million from $18.6 million in 2009. This increase was primarily the result of additional amortization recorded on the $9.5 million of intangible assets acquired on acquisitions in 2010 and the $1.9 million of intangible assets acquired on acquisitions in 2009. The 2009 acquisitions closed after July 31, 2009 resulting in no amortization on intangible assets being recorded until August 2009. This increase was slightly offset by lower amortization being recorded in 2010 by virtue of the intangible assets acquired on the 2005 acquisition of Tenold Transportation Limited Partnership ("Tenold Transportation") becoming fully amortized in April 2010.

Interest and Accretion Expense

Total interest and accretion expense for the year ended December 31, 2010 increased by $2.9 million to $39.1 million from $36.2 million in 2009. This increase was mainly attributable to an additional $4.7 million of interest and accretion expense on the Debentures issued on May 1, 2009. This increase was offset by lower interest expense being recorded on the U.S. denominated debt as a result of a strengthening in the CDN. dollar as compared to the U.S. dollar on a year over year basis. The Fund also recorded interest expense in 2009 on monies outstanding on the $150.0 million extendible revolving 364-day term facility ("$150.0 Million Facility") which was repaid in April 2009.

Stock-based Compensation

Stock-based compensation expense for the year ended December 31, 2010 increased by $1.1 million to $2.1 million from $1.0 million in 2009. This increase was mainly attributable to 1,175,000 Stock Options which were granted on January 13, 2010. Of the 1,175,000 stock options granted, 200,000 vest on January 13, 2011 while the remaining 975,000 will vest on January 13, 2013. On January 1, 2010, Mullen Group began using a graded vesting schedule whereas in prior years the straight line method was used. This change harmonizes the accounting treatment for stock options with International Financial Reporting Standards ("IFRS") for comparative purposes to avoid a restatement upon conversion to IFRS. Mullen Group has assessed the impact of this change in accounting treatment which requires retroactive application and noted no material impact to its prior year's reported results. Thus, Mullen Group has not restated prior year's financial results.

Unrealized Foreign Exchange Gain

(audited) *($ millions, except exchange rate amount)*		U.S. $ Debt	Exchange Rate		CDN. $ Equivalent
December 31, 2009 - beginning balance	$	235.0	1.05	$	246.7
December 31, 2010 - ending balance		235.0	0.99		232.6
Unrealized foreign exchange gain in 2010				$	14.1

For the year ended December 31, 2010, Mullen Group recorded an unrealized foreign exchange gain of $14.1 million. This was due to the impact of the change over the year in the value of the CDN. dollar relative to the U.S. dollar on the Corporation's $235.0 million of U.S. dollar denominated debt. In 2009, Mullen Group recorded an unrealized foreign exchange gain of $40.0 million related to the Corporation's $235.0 million of U.S. dollar denominated debt.

Change in Fair Value of Investments

Mullen Group periodically invests in certain private and public corporations. Mullen Group's investments are accounted for as held for trading and are carried at fair value. For the year ended December 31, 2010, Mullen Group recorded a $7.3 million increase in the fair value of its investments from December 31, 2009, compared to a $1.4 million increase in 2009.

Loss on Sale of Property, Plant and Equipment

For the year ended December 31, 2010, Mullen Group recognized a loss on sale of property, plant and equipment of $2.0 million on total consolidated proceeds on sale of $17.9 million, compared to a $5.1 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of $16.2 million in 2009. In 2010, the Oilfield Services segment had proceeds on sale totaling $11.6 million which consisted of the sale of all of its rental mats and equipment, redundant trucks and trailers, and some operating equipment. Corporate Office had proceeds on sale of $5.6 million which mainly consisted of the sale of under-utilized land and buildings. The Trucking/Logistics segment had proceeds on sale of $1.3 million which mainly consisted of the sale of older trucks and trailers. The $2.0 million loss on sale of property, plant and equipment in 2010 related almost entirely to the sale of rental mats which were used to build temporary road access to remote drilling locations.

Income Taxes

(audited)	Years ended December 31	
($ millions)	2010	2009
Income before income taxes and earnings from equity investments	$ 105.7	$ 111.5
Income tax rate	28%	30%
Computed expected income tax expense	29.6	33.5
Add (less):		
Tax related to income allocated to unitholders	—	(5.3)
Reduction of future tax balances due to enacted income tax rate changes	—	(1.2)
Non-taxable portion of unrealized foreign exchange gain	(2.0)	(5.8)
Other	(1.0)	(0.4)
Provision for income taxes	$ 26.6	$ 20.8

For the year ended December 31, 2010, Mullen Group recorded a provision for income taxes of $26.6 million compared to $20.8 million in 2009. The increase of $5.8 million was due to the absence of the tax reduction relating to the income allocated to unitholders in 2009. In addition, there was a $3.8 million increase in tax due to the tax implications associated with the $14.1 million unrealized foreign exchange gain in 2010 compared to the $40.0 million unrealized foreign exchange gain in 2009. Somewhat offsetting these variances was the lower expected income tax which resulted from both lower income and a reduction in the income tax rate.

Earnings from Equity Investment

For the year ended December 31, 2010, Mullen Group did not have an equity investment, therefore no earnings were recorded, compared to $0.1 million in 2009. In 2009, the $0.1 million of earnings from equity investment was generated by Durango. On August 6, 2009, Mullen Group acquired all of the remaining shares of Durango, at which time, the results from operations of Durango were included in the consolidated financial statements within the Oilfield Services segment.

Net Income

(audited)	Years ended December 31		
($ millions, except per share amounts)	2010	2009	% Change
Net income	$ 79.1	$ 90.8	(12.9)
Weighted average number of common shares outstanding	79,410,699	80,605,298	(1.5)
Earnings per share - basic	$ 1.00	$ 1.13	(11.5)

For the year ended December 31, 2010, net income was $79.1 million, a decrease of $11.7 million or 12.9 percent, compared to the $90.8 million generated in 2009. The $11.7 million decrease in net income was mainly due to a $25.9 million year over year variance in unrealized foreign exchange gain. The $25.9 million variance in unrealized foreign exchange gain was mainly due to the impact of the change in the value of the CDN. dollar relative to the U.S. dollar on the Corporation's $235.0 million of U.S. dollar denominated debt. This decrease was somewhat offset by a $11.4 million increase in operating income[1] and a $5.9 million change in the fair value of investments. Other factors contributing to the change in net income which were previously described include:

- a $5.8 million increase in the provision for income taxes;
- a $2.9 million increase in interest and accretion expense;
- a $1.1 million increase in stock-based compensation expense;
- a $0.4 million increase in amortization on intangibles;

- a $4.1 million decrease in depreciation on property, plant and equipment;
- a $3.1 million decrease in loss on sale of property, plant and equipment; and
- a $0.1 million decrease in earnings from equity investment.

As a result, basic earnings per share decreased to $1.00 from $1.13 in 2009. The weighted average number of common shares outstanding decreased on a year over year basis from 80,605,298 to 79,410,699 due to the 1.9 million common shares repurchased under the Bid in the second quarter of 2010.

The following chart illustrates the impact on net income and basic earnings per share as though Mullen Group had been a corporation since January 1, 2009 as well as before the unrealized foreign exchange gain in 2010 and 2009. Net income and basic earnings per share are adjusted to reflect earnings from a strictly operating perspective.

(1) *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.*

(unaudited)	Years ended December 31	
($ millions, except per share amounts)	2010	2009
Income before income taxes and earnings from equity investment	**$ 105.7**	$ 111.5
Add (less):		
Unrealized foreign exchange gain	**(14.1)**	(40.0)
Adjusted - Income before income taxes and earnings from equity investment	**91.6**	71.5
Income tax rate	**28%**	30%
Computed expected income tax expense	**25.6**	21.5
Earnings from equity investment	**—**	0.1
Net income - adjusted for impact of unrealized foreign exchange gain and conversion to a corporation(2)	**66.0**	50.1
Weighted average number of common shares outstanding – basic	**79,410,699**	80,605,298
Earnings per share - adjusted for unrealized foreign exchange gain and corporate taxation(2)	**$ 0.83**	$ 0.62

(2) *Net income - adjusted and earnings per share - adjusted are Non-GAAP terms described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A*

2010 ANNUAL SEGMENTED RESULTS

Year ended December 31, 2010 ($ millions)	Oilfield Services	Trucking /Logistics	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	**650.7**	**392.1**	**(3.0)**	**1,039.8**
Direct operating expenses	**431.9**	**284.4**	**(6.9)**	**709.4**
Selling and administrative expenses	**73.6**	**41.5**	**11.3**	**126.4**
Operating income[1]	**145.2**	**66.2**	**(7.4)**	**204.0**

Year ended December 31, 2009 ($ millions)	Oilfield Services	Trucking /Logistics	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	612.6	372.1	(6.7)	978.0
Direct operating expenses	399.7	272.2	(9.4)	662.5
Selling and administrative expenses	73.4	38.3	11.2	122.9
Operating income[1]	139.5	61.6	(8.5)	192.6

[1] *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.*

OILFIELD SERVICES SEGMENT

Mullen Group provides the energy sector in western and northern Canada with a wide range of services related to the drilling for oil and natural gas, oil and gas production, infrastructure development and capital projects. Energy companies generate their income from the sale of the commodities they produce and as such their decision to deploy capital is primarily dependent on the cash flows generated by the combination of production levels and commodity prices.

Operating Entities (Jurisdiction of Incorporation/Formation)	Percentage of ownership by Mullen Group (indirectly)*	Services Provided	Market Area
Brady Oilfield Services L.P. (Alberta)	100%	Provides pumping, transportation and disposal of crude oil, produced water and fluids.	Southeastern Saskatchewan
Canadian Dewatering L.P. (Alberta)	100%	Specialized services including the rental and sale of trailer or skid mounted diesel pumps, submersible centrifugal pumps, and diesel generators associated with the suction and discharge of fluids, dredging, barge rentals, and commercial diving services.	Western and Central Canada
Cascade Energy Services L.P. (Alberta)	100%	Provides fluid management services to the oil and natural gas industry, as well as provides chemical solutions by maintaining facilities for mixing, storage and transportation of these chemicals.	Western Canada
E-Can Oilfield Services L.P. (Alberta)	100%	Provides pumping, hauling and disposal of fluids associated with the processing and production of heavy oil.	Western Canada
FSJ L.A.N.D. Transport L.P. (Alberta)	100%	Provides services to the oil and natural gas industry involving the dismantling, hauling, and rigging up of drilling rigs.	Fort St. John, British Columbia
Formula Powell L.P. (Alberta)	100%	Provides a wide range of services including the warehousing, computerized inventory management and distribution of drilling mud; the transportation, storage and handling of oilfield fluids, as well as general oilfield hauling.	Western Canada
Heavy Crude Hauling L.P. (Alberta)	100%	Provides pumping, hauling and disposal of fluids associated with the processing and production of heavy oil.	Western Canada
Mullen Oilfield Services L.P. (Alberta)	100%	Provides services to the oil and natural gas industry involving the dismantling, hauling, and rigging up of drilling rigs.	Western Canada
OK Drilling Services L.P. (Alberta)	100%	Provides upstream oil and natural gas services related to the setting of conductor pipe and the drilling and setting of surface casing.	Western Canada
Pe Ben Oilfield Services L.P. (Alberta)	100%	Provides transportation, warehousing and computerized inventory management of oilfield tubular products for the oil and natural gas industry as well as general oilfield hauling.	Western Canada
Premay Equipment L.P. (Alberta)	100%	Provides transportation services of oversize and overweight modules, vessels, equipment and machinery for clients in the engineering, procurement, construction, mining and oil and natural gas industries.	Western Canada

Operating Entities (Jurisdiction of Incorporation/Formation)	Percentage of ownership by Mullen Group (indirectly)*	Services Provided	Market Area
Premay Pipeline Hauling L.P. (Alberta)	*100%*	*Provides the mainline large diameter pipeline construction industry with contract services including the hauling, stockpiling and stringing of large diameter oil and natural gas transmission pipe, along with the transport of pipeline equipment.*	*Western Canada*
Pro North Oilfield Services (British Columbia)	*100%*	*Provides pumping, transportation and disposal of crude oil, produced water and natural gas drilling fluids along with tank services and 400 BBL rentals.*	*Northern British Columbia*
R.E. Line Trucking (Coleville) Ltd. (Saskatchewan)	*100%*	*Provides pumping, transportation and disposal of crude oil and produced water.*	*Coleville, Saskatchewan*
Spearing Service L.P. (Alberta)	*100%*	*Provides pumping, transportation and disposal of crude oil, produced water and natural gas drilling fluids.*	*Southern Saskatchewan and North Dakota*
Swanberg Bros. Trucking L.P. (Alberta)	*100%*	*Provides services to the oil and natural gas industry involving the dismantling, hauling, and rigging up of drilling rigs.*	*Western Canada*
TREO Drilling Services L.P. (Alberta)	*100%*	*Provides core drilling services in the oilsands along with conventional oil and natural gas drilling and coal-bed methane drilling to depths up to 1,500 meters.*	*Western Canada*
Withers L.P. (Alberta)	*100%*	*Provides transportation, warehousing and computerized inventory management of pipe casing for the oil and natural gas industry as well as general oilfield hauling.*	*Western Canada*

**includes approximately one percent interest owned by the general partner of each limited partnership. All such general partners are indirectly owned by Mullen Group.*

A more detailed description of each of these Operating Entities is set forth in Mullen Group's Annual Information Form dated February 23, 2011, which is available on SEDAR at www.sedar.com, Mullen Group's website at www.mullen-group.com or on request, free of charge, from Mullen Group's Investor Services group, ir@mullen-group.com.

Revenue

Revenue in the Oilfield Services segment is generated through its 18 Operating Entities by utilizing both Company Equipment and Contractors.

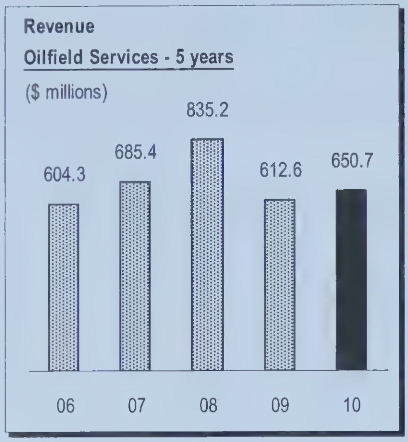
Revenue generated for the year ended December 31, 2010 was $650.7 million, an increase of $38.1 million, or 6.2 percent, from the $612.6 million generated in 2009. This segment was responsible for 62.4 percent of pre-consolidated revenue in 2010 compared to 62.2 percent in 2009. Most of the Operating Entities within the Oilfield Services segment experienced a trend of strengthening demand which led to continued growth in revenue over the second, third and fourth quarters of 2010 compared to 2009. Revenue in the first quarter decreased year over year by 15.3 percent or $31.9 million. This decrease was more than offset by progressively higher revenue during the remainder of the year. Revenue in the second, third, and fourth quarters of 2010 increased year over year by 4.6 percent or $5.3 million, 15.3 percent or $21.6 million, and 30.0 percent or $43.1 million, respectively.

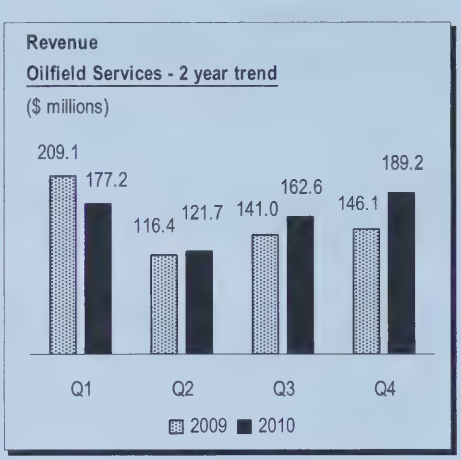
Revenue - Oilfield Services - Years ended December 31

($ millions)	2010		2009		Change
	$	%*	$	%*	$
Company	**459.8**	**70.7**	425.6	69.5	34.2
Contractors	**185.7**	**28.5**	182.8	29.8	2.9
Other	**5.2**	**0.8**	4.2	0.7	1.0
Total	**650.7**	**100.0**	612.6	100.0	38.1

** as a percentage of total Oilfield Services revenue*

The $38.1 million increase in revenue was mainly attributable to three factors:





- Operating Entities involved in the transportation of fluids and the servicing of wells experienced an increase in revenue of $14.0 million compared to 2009 due to greater demand for their services especially in northern Alberta and within the Bakken oil formation in southern Saskatchewan. This stronger demand was a direct result of increased oil and liquids rich natural gas drilling activity. Some Operating Entities did experience lower revenue in 2010 by virtue of the loss of some customer contracts due to pricing.

- Operating Entities most directly tied to oil and natural gas drilling activity in western Canada experienced an increase in revenue of approximately $13.3 million. This increase was mainly attributable to greater demand for the storage, handling and distribution of drilling mud, drill pipe and casing which resulted from the combination of increased drilling activity and a greater amount of longer horizontal wells being drilled. The shift to longer horizontal wells being drilled has resulted in a greater amount of demand for drilling mud, drill pipe and casing. This increase was somewhat offset by lower demand for rig relocation services due to the shorter nature of rig moves and pad drilling, a competitive pricing environment, the closure of certain branches, and a lack of activity in the arctic region. Industry statistics indicate that drilling activity in the western Canadian sedimentary basin ("WCSB") increased during 2010 to 12,106 wells drilled as compared to 8,364 wells drilled in 2009.

- Revenue in Operating Entities tied to infrastructure and oil sands development increased on a year over year basis by $8.9 million. This increase was mainly attributable to greater demand for services related to the development of Alberta's oil sands as the deployment of capital in new infrastructure projects, such as the TFT project commenced. This increase was somewhat offset by the lack of large diameter pipeline construction activity in 2010 compared to a major project being completed in 2009.

These increases in revenue were somewhat offset by:

- Revenue generated from core drilling services decreased by $4.8 million due to a reduction in customer demand coupled with an extremely competitive pricing environment.

Direct Operating Expenses

Direct Operating Expenses - Oilfield Services - Years ended December 31					
($ millions)	2010		2009		Change
	$	%*	$	%*	$
Company					
Wages and benefits	**126.3**	**27.5**	121.3	28.5	5.0
Fuel	**34.6**	**7.5**	29.8	7.0	4.8
Repairs and maintenance	**65.3**	**14.2**	60.8	14.3	4.5
Operating supplies	**51.8**	**11.3**	37.8	8.9	14.0
Other	**17.0**	**3.7**	17.9	4.2	(0.9)
	295.0	**64.2**	267.6	62.9	27.4
Contractors	**136.9**	**73.7**	132.1	72.3	4.8
Total	**431.9**	**66.4**	399.7	65.2	32.2

** as a percentage of respective Oilfield Services revenue*

Direct operating expenses for the year ended December 31, 2010 increased to $431.9 million, up $32.2 million, or 8.1 percent from the $399.7 million generated in 2009. Direct operating expenses related to Company Equipment increased by $27.4 million to $295.0 million, or 64.2 percent of Company revenue, compared to $267.6 million or 62.9 percent of Company Revenue in 2009. This $27.4 million increase was attributable the $34.2 million increase in Company Revenue. The lower margin on Company Equipment was mainly due to a greater amount of operating supplies and expenses in 2010 compared to 2009. The increase in operating supplies and expenses resulted from a large amount of materials that were purchased on a project to design, build, and commission a state of the art TFT barge system. The lower margins on Company Equipment also resulted from an increase in the average price per litre of diesel fuel compared to 2009. Direct operating expenses related to Contractors increased by $4.8 million to $136.9 million, or 73.7 percent of Contractor revenue, as compared to $132.1 million or 72.3 percent of Contractor revenue in 2009. The lower margins on Contractors was mainly due to lower average rates within those Operating Entities leveraged to the transportation of fluids and the servicing of wells which could not entirely be passed along to Contractors. Direct operating expenses represented as a percent of revenue increased to 66.4 percent in 2010 from 65.2 percent in 2009 due to the lower margins generated from both Company Equipment and Contractors. In terms of gross margin, this segment experienced an increase of $5.9 million, however, on a percentage of revenue basis the margin decreased to 33.6 percent of segment revenue as compared to 34.8 percent in 2009.

Selling and Administrative Expenses

Selling and Administrative Expenses - Oilfield Services - Years ended December 31					
($ millions)	2010		2009		Change
	$	%*	$	%*	$
Wages and benefits	**36.5**	**5.6**	40.8	6.6	(4.3)
Communications, utilities and general supplies	**20.4**	**3.1**	21.8	3.6	(1.4)
Profit share	**8.1**	**1.3**	—	—	8.1
Rent and other	**8.6**	**1.3**	10.8	1.8	(2.2)
Total	**73.6**	**11.3**	73.4	12.0	0.2

** as a percentage of total Oilfield Services revenue*

S&A expenses for the year ended December 31, 2010 increased by $0.2 million to $73.6 million from $73.4 million in 2009. This increase in S&A expenses was attributable to an $8.1 million increase in profit share expense due to the reinstatement of the profit share plan for 2010. This increase was almost entirely offset by the following:

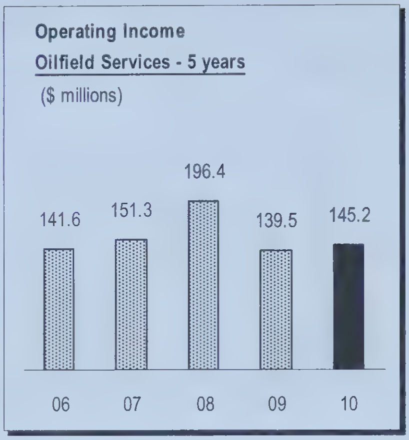
- a $4.3 million decrease in wages and benefits by virtue of employee layoffs which occurred due to a decline in demand for some of this segments services; and

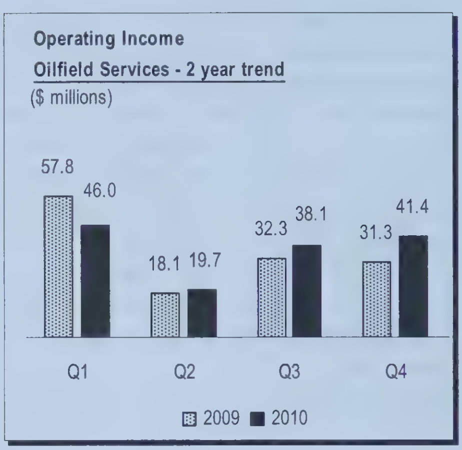
- $3.6 million by virtue of the continuing efforts of the Operating Entities in the segment to reduce and control costs.

S&A expenses as a percentage of revenue decreased by 0.7 percent to 11.3 percent from 12.0 percent in 2009.

Operating Income

Operating income[1] for the year ended December 31, 2010 increased by $5.7 million to $145.2 million from $139.5 million in 2009. Most of the Operating Entities within the Oilfield Services segment experienced a trend of strengthening demand for the majority of their services which led to continued growth in operating income[1] over the second, third and fourth quarters of 2010 compared to 2009. Operating income[1] in the first quarter decreased year over year by 20.4 percent or $11.8 million. This decrease was more than offset by progressively higher operating income[1] during the remainder of the year. Operating income[1] in the second, third and fourth quarters of 2010 increased year over year by 8.8 percent or $1.6 million, 18.0 percent or $5.8 million, and 32.2 percent or $10.1 million, respectively.





The $5.7 million increase in operating income[1] was mainly attributable to a year over year increase in operating income[1] generated by Operating Entities most directly tied to oil and natural gas drilling activity in western Canada by virtue of increased drilling activity coupled with the cost control measures implemented by them. In addition, operating income[1] increased in those Operating Entities leveraged to the transportation of fluids and the servicing of wells due to the deployment of additional capital coupled with increased drilling activity particularly within the Bakken oil formation in southern Saskatchewan. Somewhat offsetting these increases was a decrease in operating income[1] resulting from the lack of large diameter pipeline construction activity in 2010 compared to a major project being completed in 2009. Operating income[1] also decreased due to the reduction in demand and an extremely competitive pricing environment for core drilling services. Operating income[1] as a percentage of revenue decreased slightly to 22.3 percent from 22.8 percent in 2009.

(1) Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.

Capital Expenditures

Net capital expenditures in the Oilfield Services segment increased by $26.2 million, or 349.3 percent to $33.7 million in 2010 from $7.5 million in 2009. For the year ended December 31, 2010, the Oilfield Services segment had gross capital expenditures of $45.3 million and dispositions of $11.6 million for net capital additions of $33.7 million. Gross capital expenditures mainly consisted of additional equipment for those Operating Entities involved in the transportation of fluids and the servicing of wells and to those providing services to the oil sands. The majority of the dispositions related to the those Operating Entities most directly tied to oil and natural gas drilling activity which included the sale of all rental mats which were used to build temporary road access to remote drilling locations. In 2009, gross capital expenditures were $21.7 million and dispositions were $14.2 million for net capital additions of $7.5 million.

TRUCKING/LOGISTICS SEGMENT

The transportation and distribution of freight is a multi-billion dollar business in Canada and is generally described as both highly competitive and fragmented. The Trucking/Logistics segment provides a wide range of trucking and logistics services in Canada, as well as to and from the continental U.S. and Mexico.

Operating Entities (Jurisdiction of Incorporation/Formation)	Percentage of ownership by Mullen Group (indirectly)*	Services Provided	Market Area
Cascade Carriers L.P. (Alberta)	100%	Provides customers in the construction, mineral, and oil and natural gas industries with dry bulk transportation services.	Western Canada
Grimshaw Trucking L.P. (Alberta)	100%	Regional, scheduled LTL service, flatbed and van services.	Western Canada and the Northwest Territories
Kleysen Group L.P. (Alberta)	100%	Irregular route truckload and LTL flatbed and van service, dry bulk hauling, intermodal, transload and storage services.	Canada and U.S.
Mill Creek Motor Freight L.P. (Alberta)	100%	Irregular route truckload and LTL van and flatbed services.	Canada, U.S. and Mexico
Mullen Trucking L.P. (Alberta)	100%	Irregular route truckload and LTL flatbed, van and specialized hauling services.	Canada and U.S.
Payne Transportation L.P. (Alberta)	100%	Irregular route truckload and LTL flatbed and van service.	Canada and U.S.
Smook Contractors Ltd. (formerly Smook Bros. (Thompson) Ltd.) (Manitoba)	100%	Aggregate production, drilling and blasting, earth and rock excavation and transportation, environmental clean-up and soil remediation, road-building and other related services.	Northern Manitoba
Tenold Transportation Limited Partnership (Alberta)	100%	Irregular route truckload and LTL van service, warehousing and custom cable cutting and reel services.	Canada and U.S.

**includes approximately one percent interest owned by the general partner of each limited partnership. All such general partners are indirectly owned by Mullen Group.*

A more detailed description of each of these Operating Entities is set forth in Mullen Group's Annual Information Form dated February 23, 2011, which is available on SEDAR at www.sedar.com, Mullen Group's website at www.mullen-group.com or on request, free of charge, from Mullen Group's Investor Services group, ir@mullen-group.com.

Revenue

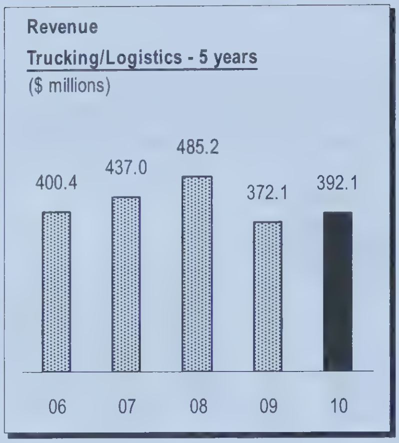
Revenue in the Trucking/Logistics segment is generated through its eight Operating Entities by utilizing both Company Equipment and Contractors.

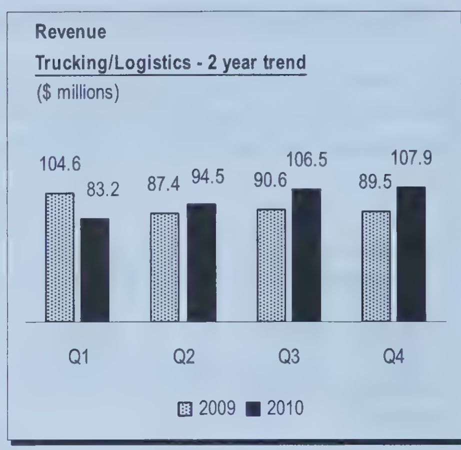
Revenue - Trucking/Logistics - Years ended December 31 ($ millions)	**2010**		2009		Change
	$	%*	$	%*	$
Company	**149.5**	**38.1**	132.3	35.6	17.2
Contractors	**241.0**	**61.5**	238.7	64.1	2.3
Other	**1.6**	**0.4**	1.1	0.3	0.5
Total	**392.1**	**100.0**	372.1	100.0	20.0

** as a percentage of total Trucking/Logistics revenue*

Revenue generated for the year ended December 31, 2010 was $392.1 million, an increase of $20.0 million, or 5.4 percent, from the $372.1 million generated in 2009. This segment was responsible for 37.6 percent of pre-consolidated revenue in 2010 compared to 37.8 percent in 2009. Most of the Operating Entities within the Trucking/Logistics Services segment experienced a trend of strengthening demand which led to continued growth in revenue over the second, third and fourth quarters of 2010 compared to 2009. Revenue in the first quarter

decreased year over year by 20.5 percent or $21.4 million. This decrease was more than offset by progressively higher revenue during the remainder of the year. Revenue in the second, third, and fourth quarters of 2010 increased year over year by 8.1 percent or $7.1 million, 17.5 percent or $15.9 million, and 20.6 percent or $18.4 million, respectively.





The $20.0 million increase in revenue was related to incremental revenue generated from acquisitions as well as higher fuel surcharge revenue associated with higher diesel fuel costs as compared to prior year levels. In addition, demand for most freight services in western Canada continued to strengthen which also led to a general stabilization in pricing levels. These increases were somewhat offset by a reduction in demand for over-dimensional and heavy haul freight services related to the construction of oil sands infrastructure and other special projects. These projects require large capital investments and have longer lead times.

Direct Operating Expenses

Direct operating expenses for the year ended December 31, 2010 increased to $284.4 million, up $12.2 million, or 4.5 percent from the $272.2 million generated in 2009. Direct operating expenses related to Company Equipment increased by $11.8 million to $101.4 million or 67.8 percent of Company revenue, compared to $89.6 million or 67.7 percent of Company revenue in 2009. This $11.8 million increase was directly related to the acquisition of Smook which mostly utilizes Company Equipment to generate its revenue. The margin generated on Company Equipment decreased slightly compared to the prior year due to a combination of increases wages and benefits and an increase in the average price per litre of diesel fuel which was somewhat offset by a decrease in operating supplies. Direct operating expenses related to Contractors increased by $0.4 million to $183.0 million, or 75.9 percent of Contractors revenue, as compared to $182.6 million or 76.5 percent of Contractors revenue in 2009. The $0.4 million increase in Contractors expense was mainly due to acquisitions which added approximately 70 owner operators. This increase was somewhat offset by lower Contractor expense resulting from a major project in 2009 whereby subcontractors were utilized to transport large over-dimensional loads to meet customer demand. The slightly higher margin generated on Contractors resulted from less reliance on subcontractors in 2010, which normally have a lower margin. Direct operating expenses as a percent of revenue decreased to 72.5 percent in 2010 from 73.1 percent in 2009 due to improved margins on Contractors. In addition, margins improved by virtue of a greater proportion of Company revenue being generated in 2010 compared to Contractors revenue. Margins generated from Company revenues are higher than the margins generated from Contractors. In terms of gross margin, this segment experienced a year over year increase of $7.8 million, and on a percentage of revenue basis the margin increased to 27.5 percent as compared to 26.9 percent in 2009.

Direct Operating Expenses - Trucking/Logistics - Years ended December 31

($ millions)	**2010**		2009		Change
	$	%*	$	%*	$
Company					
Wages and benefits	**34.3**	**22.9**	29.2	22.1	5.1
Fuel	**15.0**	**10.0**	11.1	8.4	3.9
Repairs and maintenance	**22.2**	**14.9**	19.2	14.5	3.0
Operating supplies	**12.9**	**8.6**	13.6	10.3	(0.7)
Other	**17.0**	**11.4**	16.5	12.4	0.5
	101.4	**67.8**	89.6	67.7	11.8
Contractors	**183.0**	**75.9**	182.6	76.5	0.4
Total	**284.4**	**72.5**	272.2	73.1	12.2

* *as a percentage of respective Trucking/Logistics revenue*

Selling and Administrative Expenses

S&A expenses for the year ended December 31, 2010 increased by $3.2 million to $41.5 million from $38.3 million in 2009. This $3.2 million increase was mainly due to $5.5 million of profit share expense resulting from the reinstatement of the profit share plan for 2010 and approximately $2.2 million of S&A expenses from acquisitions. These increases were somewhat offset by a $1.5 million year over year variance in foreign exchange losses and another $3.0 million resulted by virtue of the continuing efforts of the Operating Entities in the segment to reduce and control costs. S&A expenses as a percentage of revenue increased by 0.3 percent to 10.6 percent from 10.3 percent in 2009.

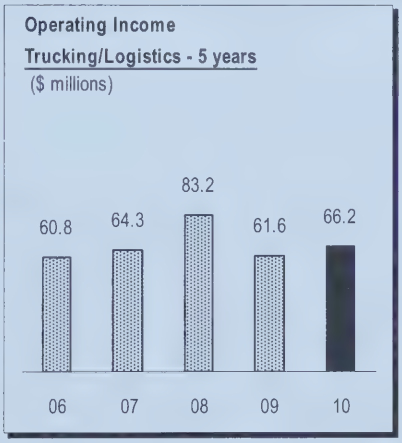
Selling and Administrative Expenses - Trucking/Logistics - Years ended December 31

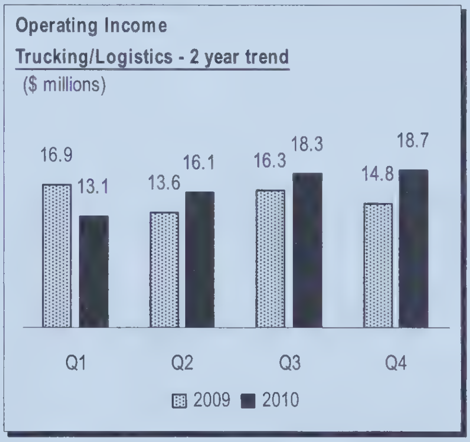
($ millions)	**2010**		2009		Change
	$	%*	$	%*	$
Wages and benefits	**23.9**	6.1	24.6	6.6	(0.7)
Communications, utilities and general supplies	**10.3**	2.7	9.7	2.7	0.6
Profit share	**5.5**	1.4	—	—	5.5
Rent and other	**1.3**	0.3	2.0	0.5	(0.7)
Foreign exchange loss	**0.5**	0.1	2.0	0.5	(1.5)
Total	**41.5**	10.6	38.3	10.3	3.2

** as a percentage of total Trucking/Logistics revenue*

Operating Income

Operating income[1] for the year ended December 31, 2010 increased by $4.6 million to $66.2 million from $61.6 million in 2009. Most of the Operating Entities within the Trucking/Logistics segment experienced a trend of strengthening demand for the majority of their services with continued growth in operating income[1] over the second, third and fourth quarters of 2010 compared to 2009. Operating income[1] in the first quarter decreased year over year by 22.5 percent or $3.8 million. This decrease was more than offset by progressively higher operating income[1] during the remainder of the year. Operating income[1] in the second, third, and fourth quarters of 2010 increased year over year by 18.4 percent or $2.5 million, 12.3 percent or $2.0 million, and 26.4 percent or $3.9 million, respectively.





The $4.6 million increase in operating income[1] was mainly attributable to the incremental operating income[1] generated from acquisitions. In addition, certain other Operating Entities also generated greater operating income[1] by simultaneously experiencing greater demand for their services while controlling costs. Operating income[1] also increased due to a $1.5 million year over year variance in foreign exchange losses. These increases in operating income[1] were somewhat offset by the impact of a major project in 2009 to transport large over-dimensional loads to Canada's oil sands and to a lesser extent a $5.5 million increase in profit share expense due to the reinstatement of the profit share plan for 2010. Notwithstanding the reinstatement of the 2010 profit share plan, operating income[1] as a percentage of revenue, increased slightly to 16.9 percent from 16.6 percent in 2009.

(1) Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.

Capital Expenditures

Net capital expenditures in the Trucking/Logistics segment increased by $2.9 million, or 52.7 percent to $8.4 million in 2010 from $5.5 million in 2009. For the year ended December 31, 2010, the Trucking/Logistics segment had gross capital expenditures of $9.7 million and dispositions of $1.2 million for net capital expenditures of $8.4 million. Gross capital expenditures consisted mostly of the purchase of new trucks and trailers as well as some operating equipment. In 2009, gross capital expenditures were $6.5 million and dispositions were $1.0 million for net capital expenditures of $5.5 million.

CORPORATE

The Corporate Office provides support to the Corporation's Operating Entities including coordinating business strategies, monitoring financial and business performance and provides centralized services such as payroll services, information technology support and accounting services. In addition, the Corporate Office is responsible for all regulatory and public reporting expenses.

For the year ended December 31, 2010, Corporate Office generated miscellaneous revenue of $1.0 million and incurred net administrative expenses of $8.4 million, which resulted in a net operating loss of $7.4 million. In 2009, Corporate Office generated miscellaneous revenue of $0.9 million and incurred net administrative expenses of $9.4 million, which resulted in a net operating loss of $8.5 million. Net administrative expenses decreased year over year mainly due to one-time trust conversion costs of $0.8 million which were recorded in 2009.

CAPITAL RESOURCES AND LIQUIDITY

2010 Sources and Uses of Cash

($ millions)	Years ended December 31 2010	2009
Cash and cash equivalents, beginning of year	$ 204.9	$ 0.3
Sources of cash and cash equivalents:		
Funds from operations[1]	**150.1**	121.0
Proceeds of Debentures	—	125.0
Proceeds on sale of investments	**2.8**	—
Changes in non-cash working capital items from investing activities	**2.9**	—
Changes in non-cash working capital items from operating activities	—	91.2
Total sources	**155.8**	337.2
Uses of cash and cash equivalents:		
Changes in non-cash working capital items from operating activities	**55.6**	—
Repurchase of common shares	**27.3**	—
Cash distributions paid to unitholders	—	30.2
Cash dividends paid to common shareholders	**39.8**	10.1
Net property, plant and equipment additions	**43.7**	12.1
Debt issuance costs	—	3.0
Purchase of investments	**27.2**	—
Other assets	**14.0**	1.6
Acquisitions	**25.2**	5.3
Repayment of long-term debt and loans	**14.6**	70.3
Total usage	**247.4**	132.6
(Decrease) increase in cash and cash equivalents	**(91.6)**	204.6
Cash and cash equivalents, end of period	**$ 113.3**	$ 204.9

[1] Funds from operations is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.

In 2010, funds from operations[1] were $150.1 million, an increase of $29.1 million, or 24.1 percent, from $121.0 million in 2009. This increase was mainly due to the $11.4 million increase in operating income[1] in 2010 compared to 2009. The increase in operating income[1] was mainly attributable to the year over year increase in consolidated revenues. Funds from operations[1] also increased due to a $20.0 million reduction in the provision for current income taxes in 2010 compared to 2009. The reduction in current income taxes was attributable to the additional tax recorded in 2009 by virtue of the Fund's internal reorganization which resulted from the conversion from an open-ended income trust to a corporation on May 1, 2009. These increases in funds from operations[1] were somewhat offset by an additional $2.9 million of interest expense resulting mainly from the issuance of the Debentures. On a per share basis, funds from operations[1] were $1.89 per share in 2010, an increase of 26.0 percent or $0.39 from the $1.50 generated in 2009.

In 2010, $150.1 million of funds from operations[1] were supplemented by $2.8 million of proceeds received on sale of investments and $2.9 million in changes in non-cash working capital items from investing activities. Cash was used to finance $55.6 million from changes in non-cash working capital items from operating activities, repurchase common shares of $27.3 million, pay cash dividends totaling $39.8 million, acquire net property, plant and equipment in the amount of $43.7 million, purchase investments of $27.2 million, fund acquisitions of $25.2 million, repay long-term debt of $14.6 million, and finance other assets of $14.0 million.

[1] Funds from operations and operating income are a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.

In 2010, cash flow from operating activities was $94.5 million, a decrease of $117.7 million, or 55.5 percent, from $212.2 million in 2009. This decrease was due to a significant $146.8 million year over year increase in changes in non-cash working capital items from operating activities offset by the $29.1 million increase in funds from operations[1] as discussed above. The $146.8 million change in non-cash working capital items from operating activities is detailed in the following chart:

Changes in Non-cash Working Capital Items from Operating Activities

		Years ended December 31				Years ended December 31			
Sources (uses) of cash *($ millions)*		**2010** [2]	**2009**	**Change $**		**2009** [2]	**2008**	**Change $**	**12 month Variance $**
Accounts receivable	$	**194.3**	**151.1**	**(43.2)**	$	150.1	245.3	95.2	(138.4)
Inventory		**23.4**	**22.5**	**(0.9)**		22.4	22.9	0.5	(1.4)
Prepaid expenses		**8.4**	**7.9**	**(0.5)**		7.9	11.0	3.1	(3.6)
Accounts payable and accrued liabilities		**(89.0)**	**(69.3)**	**19.7**		(67.9)	(109.9)	(42.0)	61.7
Income tax payable		**(5.3)**	**(36.0)**	**(30.7)**		(36.0)	(1.6)	34.4	(65.1)
Total sources (uses) of cash from non-cash working capital items:	$	**131.8**	**76.2**	**(55.6)**	$	76.5	167.7	91.2	(146.8)

[1] *Funds from operations and operating income are a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.*

[2] *Non-cash working capital items exclude working capital acquired from acquisitions during the year.*

In 2010, Mullen Group had $55.6 million in uses of cash from changes in non-cash working capital items from operating activities compared to $91.2 million in sources of cash in 2009. The $146.8 million increase in uses of cash from changes in non-cash working capital items from operating activities was mainly due to:

- a year over year variance of $138.4 million in accounts receivable. In 2009, accounts receivable decreased by $95.2 million compared to an increase during 2010 of $43.2 million which resulted in a $138.4 million year over year variance. In 2009, the decline in demand for the services offered by Mullen Group's Operating Entities led to a decrease in accounts receivable. During 2010, demand for Mullen Group's services strengthened during the year which resulted in an increase in accounts receivable.

- A year over year variance of $65.1 million in income tax payable. In 2009, income tax payable increased by $34.4 million by virtue a $35.5 million reclass of future income tax to income tax payable which resulted from the Fund converting to a corporation. In 2010, income tax payable decreased by $30.7 million due to $47.3 million of taxes paid in 2010 which was somewhat offset by $16.4 million of current tax expense recorded during the year.

Offsetting these items was a year over year variance of $61.7 million in accounts payable and accrued liabilities. In 2009, accounts payable and accrued liabilities decreased by $42.0 million which mainly resulted from the reduction in revenue due to the decline in drilling activity in 2009 compared to 2008, as well as the suspension of the profit share plan in 2009. In 2010, accounts payable and accrued liabilities increased by $19.7 million by virtue of the strengthening in demand experienced in 2010 and due to the reinstatement of the profit share plan in 2010.

At December 31, 2010, Mullen Group had $242.7 million of working capital which included $113.3 million of cash and cash equivalents. Mullen Group also had access to additional funding of $25.0 million of cash from its Bank Credit Facility. This working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2011 are available to finance Mullen Group's ongoing working capital requirements, dividends declared by the

Board, its 2011 net capital expenditure budget, as well as fund various special projects and acquisition opportunities.

On January 13, 2011, Mullen Group's Board announced its intention to pay annual dividends of $1.00 per common share of the Corporation. The Board will determine on a quarterly basis the amount of and the record date for the quarterly dividend. During 2010, Mullen Group declared $39.6 million (2009 - $20.2 million) of dividends comprised of quarterly dividends of $0.125 per common share or $0.50 per common share per annum. At December 31, 2010, Mullen Group had 78,717,895 common shares outstanding.

On January 13, 2011, Mullen Group's Board also approved a $50.0 million net capital expenditure budget for 2011 which will be allocated to those Operating Entities that need new capital to grow or sustaining capital to meet their ongoing customer needs. The capital required for acquisitions, land purchases and other special projects is not included in this $50.0 million and will be authorized by the Board as the need arises. Mullen Group had net capital expenditures of $43.7 million in 2010 compared to $12.1 million in 2009. The increase in net capital expenditures in 2010 compared to 2009 resulted from the economic recovery and the corresponding increase in demand for most of its Operating Entities services. Generally speaking, over the course of a normal economic cycle, Mullen Group's maintenance capital expenditure is equal to annual depreciation on property, plant and equipment which was $57.5 million and $61.6 million in 2010 and 2009, respectively. Mullen Group's diverse business model, and its wide geographic range of operations, provides the Corporation with the ability to redeploy certain assets over different regions for greater utilization and to meet customer demand. It also provides the Corporation with considerable flexibility in the amount of maintenance capital expenditure requirements in any given fiscal period.

Mullen Group had net debt outstanding of $271.4 million, which consists of debt of $514.1 million less working capital of $242.7 million. The following chart summarizes Mullen Group's total debt as at December 31, 2010 and 2009:

(audited) *($ millions)*	December 31, 2010		December 31, 2009	
	U.S. Dollar	**CDN. Dollar Equivalent**	**U.S. Dollar**	**CDN. Dollar Equivalent**
Private Placement Debt:				
Series A – matures June 30, 2016	$ **100.0**	$ **99.0**	$ 100.0	$ 105.0
Series B – matures June 30, 2018	**50.0**	**49.5**	50.0	52.5
Series C – matures June 30, 2016	—	**70.0**	—	70.0
Series D – matures June 30, 2018	—	**70.0**	—	70.0
Series E – matures September 27, 2017	**85.0**	**84.1**	85.0	89.2
Series F – matures September 27, 2017	—	**20.0**	—	20.0
Bank Credit Facility	—	—	—	—
Various financing loans	—	**9.0**	—	8.1
Less:				
Unamortized debt issuance costs	—	**(1.6)**	—	(2.2)
Long-term debt (including the current portion)	**235.0**	**400.0**	235.0	412.6
Debentures – debt component	—	**117.1**	—	116.2
Total debt	$ **235.0**	$ **517.1**	$ 235.0	$ 528.8

Mullen Group has certain financial covenants under its Private Placement Debt. Mullen Group is in compliance with all such covenants. The main financial covenants are summarized as follows:

Financial Covenants	Financial Covenant Threshold	December 31, 2010	December 31, 2009
Private Placement Debt Covenants			
(a) Total debt to operating cash flow cannot exceed	3.50:1.0	1.97:1.0	2.14:1.0
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1.0	5.84:1.0	4.68:1.0

Private Placement Debt Financial Covenants

- Total debt to operating cash flow: Mullen Group's total long-term debt (including the current portion of long-term debt but excluding the Debentures) cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months financial results normalized for acquisitions. "Operating cash flow" means, for any period, consolidated net income plus all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits, (ii) the depreciation and amortization taken during such period, (iii) total interest charges, (iv) interest charges with respect to convertible debentures, and (v) non-cash charges, and less any non-cash gains included in the computation of consolidated net income..

- Total earnings available for fixed charge to total fixed charges – Mullen Group cannot have a fixed charge coverage ratio less than 1.75:1.0 calculated using the trailing twelve months financial results.

During the second quarter of 2010, Mullen Group terminated its $75.0 Million Credit Facility at its discretion as it was determined it would not be needed in the foreseeable future. The new Bank Credit Facility does not have any financial covenants.

[1] Operating income is a non-GAAP terms described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.

Capital Expenditures Consolidated

Net capital expenditures increased by $31.6 million, or 261.2 percent to $43.7 million in 2010 from $12.1 million in 2009. For the year ended December 31, 2010, net property, plant and equipment expenditures totaled $43.7 million excluding any acquisitions. Gross capital expenditures were comprised of $45.3 million in the Oilfield Services segment, $9.7 million in the Trucking/Logistics segment, and $7.1 million in the Corporate Office. These expenditures were offset by gross dispositions of $11.6 million in the Oilfield Services segment, $5.6 million in Corporate, and $1.3 million in the Trucking/Logistics segment. In 2009, net property, plant and equipment expenditures totaled $12.1 million.

Contractual Obligations

($ millions)	Total	Maximum Payments 1 Year	2 – 3 Years	4 - 5 years	5 years and thereafter
	$	$	$	$	$
Long-term debt	400.0	3.0	5.8	0.1	391.1
Debentures	117.1	—	—	—	117.1
Total long-term debt	517.1	3.0	5.8	0.1	508.2
Operating leases	25.1	9.6	9.6	4.6	1.3
Total Contractual Obligations	542.2	12.6	15.4	4.7	509.5

Mullen Group ended 2010 with long-term debt (including the current portion thereof) of $400.0 million, a decrease of $12.6 million, compared to the $412.6 million of long-term debt at the beginning of the year. This decrease was due to Mullen Group repaying $14.6 million of long-term debt during 2010. Long-term debt was also reduced by $14.1 million due to the strengthening in the CDN. dollar compared to the U.S. dollar and its impact on Mullen Group's $235.0 million of U.S. dollar denominated long-term debt. These decreases were somewhat offset by the $15.5 million of debt acquired on acquisitions in 2010. Long-term debt also increased due to approximately $0.9 million of amortization of debt issuance costs.

During 2009, Mullen Group added an aggregate principal amount of $125.0 million of Debentures and incurred $3.0 million of debt issuance costs for net proceeds of $122.0 million. Each $1,000 Debenture is convertible into 93.2 common shares of Mullen Group (such is based on a conversion price of $10.73) at any time at the option of the holders of the Debentures. The Debentures mature in July 2018. There was $7.2 million of value attributed to the equity component of the Debentures which was reclassified from the debt component of the Debentures to Shareholder's equity. At December 31, 2010, there was a $1.7 million notional increase in the accounting value of the debt component of the Debentures which represents both accretion expense and the amortization of the debt issuance costs related to the Debentures. Mullen Group's debt-to-equity ratio at December 31, 2010 was 0.44:1 compared to 0.45:1 December 31, 2009. This minor decrease in the debt-to-equity ratio was due to a $14.5 million increase to Shareholders' equity which mainly resulted from the $79.1 million of net income being recognized in 2010. The increase from net income was somewhat offset by $39.6 million of dividends declared to shareholders in 2010 and by the repurchase of $27.3 million common shares under the Bid. Long-term debt decreased by $11.7 million due to the impact of the strengthening in the CDN. dollar compared to the U.S. dollar on the Corporation's $235.0 million of U.S. dollar denominated debt which was somewhat offset by $15.5 million of debt acquired on certain 2010 acquisitions.

The operating lease commitments of $25.1 million consist mostly of land, building and operating equipment commitments made by Mullen Group's Operating Entities. This is $4.1 million less than the $29.2 million recognized in 2009. This reduction in operating lease commitments relates to four main factors. First, the amount outstanding on existing land and building leases decreased as they come closer to renewal. Second, certain land and building leases expired during 2010 and were not renewed. Thirdly, some operating equipment leases expired during 2010. Lastly, some existing land and building leases commitments were terminated during 2010 by virtue of Mullen Group purchasing the property from the landlord. These decreases in operating leases were somewhat offset by the renewal of, and the addition of some new land and building leases entered into in 2010.

Share Capital

(a) Common Shares

Common Shares Authorized: Unlimited Number	# of Common Shares		($ millions) Amount
Balance at April 30, 2009	—	$	—
Trust Units exchanged for common shares under the Arrangement	61,865,589		843.1
MCLP B Units exchanged for common shares under the Arrangement	18,739,709		342.7
Balance at December 31, 2009	80,605,298	$	1,185.8
Common shares issued on exercise of stock options	1,482		—
Common shares repurchased	(1,902,475)		(28.0)
Conversion of Debentures	13,590		0.2
Balance at December 31, 2010	78,717,895	$	1,158.0

At December 31, 2010, Share capital was reduced by $28.0 million compared to December 31, 2009 which was mainly due to the repurchase and cancellation of 1.9 million common shares of the Corporation. Mullen Group purchased the 1.9 million common shares at an average price of $14.34 per common share for total cost of $27.3 million. The $0.7 million excess between the $28.0 million stated value and the total cost of $27.3 million has been recorded against retained earnings within Shareholders' equity. During 2010, there was also 1,482 common shares issued due to the exercise of stock options and 13,590 common shares were issued resulting from the conversion of 143 Debentures.

(b) Stock Option Plan

	Options		Weighted average exercise price
Outstanding – December 31, 2009	2,027,431	$	19.18
Granted	1,175,000		16.33
Exercised	(1,482)		(8.34)
Forfeited	(81,776)		(16.75)
Expired	(1,427,500)		(19.96)
Outstanding – December 31, 2010	1,691,673	$	16.67
Exercisable – December 31, 2010	576,673	$	17.34

On January 13, 2010, Mullen Group issued 1,175,000 Stock Options under the Plan. For the year ended December 31, 2010, 1,482 stock options were exercised and 1,509,276 stock options were either cancelled or forfeited.

SUMMARY OF QUARTERLY RESULTS

The first quarter of the year traditionally has the highest revenue and net income. This is primarily due to the seasonality of a significant portion of Mullen Group's operations, which relate to the movement of heavy equipment, drilling rigs and drilling supplies such as oilfield fluids, tubulars and drilling mud and the services provided such as conductor pipe-setting, core drilling and casing setting in northern and western Canada. The seasonality of Mullen Group's business follows the seasonal pattern of western Canada's oil and natural gas exploration which peaks in the winter months and declines during the spring. Wet weather and the spring thaw may make the ground unstable. As a result, the demand for these services is traditionally highest in the first quarter and lowest in the second quarter. However, in 2010, the first quarter results were hampered by the effects of the global financial crisis.

Summary of Quarterly Results

(unaudited)	2010			
($ millions, except per share amounts)	**Q1**	**Q2**	**Q3**	**Q4**
	$	$	$	$
Revenue	259.9	214.6	268.9	296.4
Operating income[1]	57.2	33.5	55.0	58.3
Net income (loss)	23.7	(6.2)	28.4	33.2
Earnings (loss) per share				
Basic	$0.29	$(0.07)	$0.36	$0.42
Diluted	$0.28	$(0.04)	$0.34	$0.40
Funds from operations[1]	24.4	25.9	47.5	52.3
Funds from operations per share[1]	$0.30	$0.33	$0.60	$0.66
Cash flow from (used in) operating activities	(7.6)	44.7	14.2	43.2
Cash flow from (used in) operating activities per share	$(0.09)	$0.56	$0.18	$0.54

(unaudited)	2009			
($ millions, except per share amounts)	**Q1**	**Q2**	**Q3**	**Q4**
	$	$	$	$
Revenue	312.0	202.7	229.7	233.6
Operating income[1]	73.6	28.8	46.2	44.0
Net income	31.0	17.8	30.9	11.1
Earnings per share				
Basic	$0.38	$0.22	$0.39	$0.14
Diluted	$0.38	$0.22	$0.36	$0.14
Funds from operations[1]	31.1	19.9	36.5	33.5
Funds from operations per share[1]	$0.39	$0.24	$0.46	$0.41
Cash flow from operating activities	75.9	72.5	32.6	31.2
Cash flow from operating activities per share	$0.94	$0.90	$0.41	$0.38

[1] *Operating income, funds from operations and funds from operations per share are non-GAAP terms described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.*

In 2010, revenue and operating income[1] increased by $61.8 million and $11.4 million, respectively, compared to 2009. The majority of the increase in revenue and operating income[1] occurred in the third and fourth quarters of 2010. Revenue increased by $102.0 million in the third and fourth quarters of 2010 which was somewhat offset by the $40.2 million decrease in revenue experienced in the first half of 2010. Similarly, operating income[1] increased by $23.1 million in the third and fourth quarters of 2010 which was somewhat offset by the $11.7 million decrease in operating income[1] experienced in the first half of 2010. The increases in revenue and operating income[1] in the second half of 2010 was attributable to increased revenue in both the Oilfield Services segment and the Trucking/Logistics segment as business activity continued to improve in both segments. The Oilfield Services segment benefited from stronger demand especially in those Operating Entities which provide storage, handling and distribution of drilling mud, drill pipe and casing which resulted from increased drilling activity. Revenue also increased due to a project to design, build, and commission a TFT barge system along with increased demand within Alberta's oil sands. The Trucking/Logistics segment experienced a year over year increase in revenue due to stronger demand for transportation services in western Canada and from acquisitions. Net income in the second half of the year in 2010 was $61.6 million, an increase of $19.6 million from the $42.0 million generated in 2009. The $19.6 million increase was mainly due to the $23.1 million increase in operating income[1], a $6.4 million increase in the gain on sale of property, plant and equipment, and a $5.7 million change in the fair value of investments. These increases were somewhat offset by a $9.4 million year over year variance in unrealized foreign exchange gain and an additional $8.0 million in the provision for income taxes. As a result, basic earnings per share in the second half of 2010 were $0.78, an increase of $0.25 per share, or 47.2 percent, from the $0.53 generated in 2009.

The $11.9 million increase in revenue in the second quarter of 2010, compared to 2009, reflects the general improvement in business activity across most Operating Entities in both the Trucking/Logistics and Oilfield Services segments. The Trucking/Logistics segment experienced a year over year increase in revenue due to acquisitions and from higher revenue relating to the recovery of fuel surcharges. Despite inclement weather throughout most of the second quarter in 2010, the Oilfield Services segment benefited from stronger demand for their services due to the deployment of capital on certain projects, including the development of Canada's oil sands deposits in northern Alberta. However, net income decreased by $24.0 million in the second quarter 2010 compared to 2009 which was largely attributable to a $32.9 million variance in unrealized foreign exchange. This decrease was somewhat offset by a $4.7 million increase in operating income[1]. Earnings per share in the second quarter 2010 was ($0.07) compared to $0.22 in 2009. This decrease was largely attributable to the variance in unrealized foreign exchange.

The $52.1 million decrease in revenue in the first quarter of 2010, compared to 2009, reflects the decline in both the Trucking/Logistics and Oilfield Services segments due to the year over year decline of capital investment in major projects in both the development of Canada's oil sands deposits, and in large diameter pipeline construction projects. The changing profile and design of wells drilled in the WCSB also contributed to the decline in revenue. Net income decreased by $7.3 million in the first quarter 2010, compared to 2009, and was negatively affected by a $16.4 million decrease in operating income[1], coupled with an increase of $5.2 million in the provision for income taxes, and a $2.2 million increase in interest and accretion expense. These reductions to net income were somewhat offset by a $16.4 million variance in unrealized foreign exchange. Earnings per share in the first quarter 2010 was $0.29, a decrease of $0.09 per share, or 23.7 percent, from the $0.38 generated in 2009. This decrease in earnings per share was attributable to lower net income as the weighted average number of common shares outstanding remained fairly consistent year over year.

[1] *Operating income is a non-GAAP terms described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.*

FOURTH QUARTER FINANCIAL REVIEW

CONSOLIDATED

Revenue

Consolidated revenue in the fourth quarter was $296.4 million, up $62.8 million, or 26.9 percent from $233.6 million in 2009. This increase was attributable to greater revenue generated by both the Oilfield Services segment and the Trucking/Logistics segment as strong demand led to increased revenue in all but two of Mullen Group's 26 Operating Entities. In the Oilfield Services segment, revenue increased by $43.1 million, or 29.5 percent, as those Operating Entities tied to infrastructure and oil sands development experienced a $17.8 million increase in revenue which was largely attributable to the revenue generated on a project to design, build, and commissions a TFT barge system along with increased demand for services within Alberta's oil sands. Industry statistics indicate that overall drilling activity in the WCSB increased by 1,445 wells or 54.1 percent in the fourth quarter of 2010 to 4,115 wells drilled as compared to 2,670 wells drilled in 2009. In the Trucking/Logistics segment, revenue increased by $18.4 million, or 20.6 percent which was mainly due to acquisitions and stronger demand in transportation services in western Canada.

Q4 Consolidated Revenue
(unaudited)

($ millions)	2010		2009		Change
	$	%*	$	%*	$
Company	**178.0**	**60.1**	134.7	57.7	43.3
Contractors	**115.7**	**39.0**	96.7	41.3	19.0
Other	**2.7**	**0.9**	2.2	1.0	0.5
Total	**296.4**	**100.0**	233.6	100.0	62.8

** as a percentage of total Consolidated revenue*

Direct Operating Expenses

Direct operating expenses in the fourth quarter increased to $204.1 million, up $44.5 million, or 27.9 percent, from $159.6 million in 2009 as a direct result of the increase in consolidated revenues during the quarter. Direct operating expenses related to Company Equipment increased by $30.1 million to $117.5 million, or 66.0 percent of Company revenue, compared to $87.4 million or 64.9 percent of Company revenue in 2009. The lower margins on Company Equipment was mainly attributable to the Oilfield Services segment where operating supplies and expenses increased as a percentage of Company revenue by virtue of a large amount of materials that were purchased on a project to design, build, and commission a TFT barge system. Contractors expenses increased by $14.4 million to $86.6 million, or 74.9 percent of Contractors revenue, as compared to $72.2 million or 74.7 percent of Contractors revenue in 2009. The lower margins generated on Contractors was mainly attributable to the Oilfield Services segment whereby lower average rates within those Operating Entities involved in the transportation of fluids and the servicing of wells could not entirely be passed along to Contractors. Direct operating expenses as a percent of revenue increased to 68.9 percent in 2010 from 68.3 percent in 2009 due to lower margins on both Company Equipment and Contractors. In terms of gross margin, Mullen Group experienced a year over year increase of $18.3 million on a consolidated basis, however, on a percentage of revenue basis the margin decreased to 31.1 percent of revenue as compared to 31.7 percent in 2009.

Q4 Consolidated Direct Operating Expenses
(unaudited)

($ millions)	2010		2009		Change
	$	%*	$	%*	$
Company					
Wages and benefits	**43.1**	**24.2**	35.2	26.1	7.9
Fuel	**15.3**	**8.6**	11.4	8.5	3.9
Repairs and maintenance	**24.6**	**13.8**	19.3	14.3	5.3
Operating supplies	**26.3**	**14.8**	14.0	10.4	12.3
Other	**8.2**	**4.6**	7.5	5.6	0.7
	117.5	**66.0**	87.4	64.9	30.1
Contractors	**86.6**	**74.9**	72.2	74.7	14.4
Total	**204.1**	**68.9**	159.6	68.3	44.5

** as a percentage of respective Consolidated revenue*

Selling and Administrative Expenses

S&A expenses in the fourth quarter increased by $4.0 million to $34.0 million from $30.0 million in 2009. This increase was mainly attributable to $4.8 million of profit share expense resulting from the reinstatement of the profit share plan for 2010, and a $0.7 million increase in communications, utilities and general expense which was due to acquisitions in the Trucking/Logistics segment. These increases were somewhat offset by a $2.1 million decrease in wages and benefits due to one-time bonuses recorded in 2009 for employees in Operating Entities whose financial and safety results exceeded expectations. S&A expenses as a percentage of consolidated revenue decreased by 1.5 percent to 11.4 percent from 12.9 percent in 2009.

Q4 Consolidated Selling and Administrative Expenses
(unaudited)

($ millions)	**2010**		2009		Change
	$	%*	$	%*	$
Wages and benefits	**16.3**	**5.5**	18.4	7.9	(2.1)
Communications, utilities and general supplies	**9.0**	**3.0**	8.3	3.6	0.7
Profit share	**4.8**	**1.6**	—	—	4.8
Rent and other	**3.4**	**1.1**	3.0	1.3	0.4
Foreign exchange loss	**0.5**	**0.2**	0.3	0.1	0.2
Total	**34.0**	**11.4**	30.0	12.9	4.0

** as a percentage of total Consolidated revenue*

Operating Income

Operating income[1] in the fourth quarter increased by $14.3 million or 32.5 percent to $58.3 million from $44.0 million in 2009. This increase was mainly attributable to the year over year increase in consolidated revenues. The Oilfield Services segment accounted for $10.1 million of the increase as those Operating Entities most directly tied to oil and natural gas drilling activity benefited from a year over year increase in drilling activity. The Trucking/Logistics segment accounted for $3.9 million of the increase which was due to acquisitions along with the stronger demand for the majority of services provided in this segment. Overall, notwithstanding the reinstatement of the 2010 profit share plan and the resulting $4.8 of million profit share expense, operating income[1] as a percentage of revenue, increased to 19.7 percent from 18.8 percent in 2009.

[1] Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.

Depreciation on Property, Plant and Equipment

Depreciation on property, plant and equipment in the fourth quarter decreased by $0.7 million to $15.3 million from $16.0 million in 2009. Depreciation in the Oilfield Services segment decreased by $1.5 million by virtue of the sale of certain assets combined with lower capital expenditures and the Corporation's declining balance method of depreciation. Depreciation in Corporate Office decreased slightly on a year over year basis. These decreases were somewhat offset by $0.8 million of higher depreciation in the Trucking/Logistics segment which resulted mainly from acquisitions.

Amortization on Intangible Assets

Amortization of intangible assets in the fourth quarter decreased by $0.2 million to $4.5 million from $4.7 million in 2009. This decrease was mainly due to no amortization being recorded in the fourth quarter of 2010 on the intangible assets acquired from Tenold Transportation which became fully amortized in April 2010 and from TREO Drilling Services L.P. which became fully amortized in August 2010. These decreases were somewhat offset by increases in amortization being recorded on the intangible assets purchased by virtue of the five acquisitions made in 2010.

Interest and Accretion Expense

Total interest and accretion expense in the fourth quarter decreased by $0.5 million to $9.4 million from $9.9 million in 2009. This decrease was mainly attributable to a reduction in standby fees associated with replacing the Corporation's $75.0 Million Credit Facility with its Bank Credit Facility. Lower interest expense was also recorded on the U.S. denominated debt as a result of a strengthening in the CDN. dollar as compared to the U.S. dollar on a year over year basis. Mullen Group's debt-to-equity ratio at December 31, 2010 was 0.44:1 compared to 0.46:1 at September 30, 2010.

Stock-based Compensation

Stock-based compensation expense in the fourth quarter remained consistent at $0.3 million compared to the same period in 2009. Mullen Group records stock-based compensation expense in accordance with the fair value based method of accounting. Under this method, Mullen Group calculates fair value using the Black-Scholes option pricing model as at the date of grant. The fair value is recorded as an increase to stock-based compensation expense and Contributed Surplus over the vesting period using a graded vesting schedule. The Black-Scholes model is subjective and uses several assumptions, including the expected market price volatility of Mullen Group's common shares which is based mainly on the estimated life of the Stock Options.

Unrealized Foreign Exchange Gain

(unaudited) *($ millions, except exchange rate amount)*		U.S. $ Debt	Exchange Rate		CDN. $ Equivalent
September 30, 2010 - beginning balance	$	235.0	1.03	$	242.0
December 31, 2010 - ending balance		235.0	0.99		232.6
Unrealized foreign exchange gain in Q4 2010				$	9.4

For the quarter ended December 31, 2010, Mullen Group recorded an unrealized foreign exchange gain of $9.4 million. This was due to the impact of the change over the quarter in the value of the CDN. dollar relative to the U.S. dollar on the Corporation's $235.0 million of U.S. dollar denominated debt. For the same period in 2009, there was an unrealized foreign exchange gain of $4.7 million related to the Corporation's $235.0 million of U.S. dollar denominated debt.

Change in Fair Value of Investments

Mullen Group periodically invests in certain private and public corporations. Mullen Group's investments are accounted for as held for trading and are carried at fair value. For the fourth quarter of 2010, Mullen Group recorded a $2.5 million increase in the fair value of its investments from September 30, 2010, compared to a $0.8 million increase for the same period in 2009.

Gain and Loss on Sale of Property, Plant and Equipment

Gain on sale of property, plant and equipment in the fourth quarter increased by $6.4 million to $1.0 million compared to a $5.4 million loss on sale of property, plant and equipment for the same period in 2009 In the fourth quarter of 2010, Mullen Group recognized a gain on sale of property, plant and equipment of $1.0 million on total consolidated proceeds on sale of $8.0 million, compared to a $5.4 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of $5.7 million for the same period in 2009. In 2010, Corporate Office had proceeds on sale totaling $4.3 million which mainly consisted of the sale of some land and buildings. The Oilfield Services segment had proceeds on sale totaling $3.3 million which mainly consisted of under-utilized assets in those Operating Entities most directly tied to oil and natural gas drilling activity. The gain on sale of property, plant and equipment occurred in the Corporate office which was somewhat offset by a loss on sale of property, plant and equipment recorded in the Oilfield Services segment. The Trucking/Logistics segment had proceeds on sale of $0.5 million which mainly consisted of the sale of older trucks and trailers as well as some

operating equipment. In 2009, the majority of the $5.4 million loss on sale of property, plant, and equipment occurred in the Oilfield Services segment. The loss resulted from the disposal of older under-utilized equipment that was at the end of their operating lives.

Income Taxes

(unaudited) *($ millions)*	Three month period ended December 31 2010		2009
Income before income taxes and earnings from equity investment	$	**41.7**	$ 13.2
Income tax rate		**28%**	30%
Computed expected income tax expense		**11.7**	4.0
Add (less):			
Reduction of future tax balances due to enacted income tax rate changes		**—**	(1.2)
Non-taxable portion of unrealized foreign exchange gain		**(1.4)**	(0.7)
Other		**(1.8)**	—
Provision for income taxes	$	**8.5**	$ 2.1

The provision for income taxes recorded for the fourth quarter of 2010 increased by $6.4 million to $8.5 million from $2.1 million in 2009. This $6.4 million increase was mainly due to the greater amount of income generated in 2010 compared to 2009. The provision for income taxes recorded in 2010 was impacted by the tax implications associated with the $9.4 million unrealized foreign exchange gain in 2010 compared to the $4.7 million gain recorded for the same period in 2009.

Earnings from Equity Investment

In the fourth quarter of 2010 and 2009, Mullen Group did not have an equity investment therefore no earnings were recorded. On August 6, 2009, Mullen Group acquired all of the remaining shares of Durango, at which time, the results from operations of Durango were included in the consolidated financial statements within the Oilfield Services segment.

Net Income

(unaudited) *($ millions, except per share amounts)*		Three month period ended December 31 2010		2009	% Change
Net income	$	**33.2**	$	11.1	199.1
Weighted average number of common shares outstanding		**78,706,853**		80,605,298	(2.4)
Earnings per share - basic	$	**0.42**	$	0.14	200.0

For the three month period ended December 31, 2010, net income was $33.2 million, an increase of $22.1 million compared to the $11.1 million generated in 2009. The $22.1 million increase in net income was mainly due to a $14.3 million increase in operating income[1], a $6.4 million increase in gain on sale of property, plant and equipment, and a $4.7 million increase in the unrealized foreign exchange gain. These increases were somewhat offset by a $6.4 million increase in the provision for income taxes. Other factors contributing to the change in net income which were previously described include:

- a $1.7 million change in the fair value of investments;
- a $0.7 million decrease in depreciation on property, plant and equipment;
- a $0.5 million decrease in interest and accretion expense; and

- a $0.2 million decrease in amortization on intangibles.

As a result, basic earnings per share was $0.42 in 2010 compared to $0.14 in 2009. The weighted average number of common shares outstanding decreased on a year over year basis from 80,605,298 to 78,706,853 due to the 1.9 million common shares repurchased under the Bid in the second quarter of 2010.

The following chart illustrates the impact on net income and basic earnings per share as though Mullen Group had been a corporation since January 1, 2009 and before the unrealized foreign exchange gain in 2010 and in 2009. Net income and basic earnings per share have been adjusted to reflect earnings from a strictly operating perspective.

(1) *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.*

(unaudited)	Three month period ended December 31	
($ millions, except per share amounts)	**2010**	**2009**
Income before income taxes	$ **41.7**	$ 13.2
Add (less):		
Unrealized foreign exchange gain	**(9.4)**	(4.7)
Adjusted - Income before income taxes	**32.3**	8.5
Income tax rate	**28%**	30%
Computed expected income tax expense	**9.0**	2.6
Net income - adjusted for impact of unrealized foreign exchange gain and conversion to a corporation(2)	**23.3**	5.9
Weighted average number of common shares outstanding – basic	**78,706,853**	80,605,298
Earnings per share - adjusted for unrealized foreign exchange gain and corporate taxation(2)	$ **0.30**	$ 0.07

(2) *Net income - adjusted and earnings per share - adjusted are Non-GAAP terms described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A*

FOURTH QUARTER SEGMENTED RESULTS

Three month period ended December 31, 2010 *(unaudited)* ($ millions)	Oilfield Services	Trucking /Logistics	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	**189.2**	**107.9**	**(0.7)**	**296.4**
Direct operating expenses	**128.5**	**77.9**	**(2.3)**	**204.1**
Selling and administrative expenses	**19.3**	**11.3**	**3.4**	**34.0**
Operating income(1)	**41.4**	**18.7**	**(1.8)**	**58.3**

Three month period ended December 31, 2009 *(unaudited)* ($ millions)	Oilfield Services	Trucking /Logistics	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	146.1	89.5	(2.0)	233.6
Direct operating expenses	97.1	65.2	(2.7)	159.6
Selling and administrative expenses	17.7	9.5	2.8	30.0
Operating income(1)	31.3	14.8	(2.1)	44.0

(1) *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.*

OILFIELD SERVICES SEGMENT

Revenue

This segment was responsible for 63.7 percent of pre-consolidated revenue for the fourth quarter compared to 62.0 percent for the same period in 2009. Revenue was $189.2 million, an increase of $43.1 million, or 29.5 percent, from $146.1 million in 2009. The $43.1 million increase resulted from stronger demand for all of the services provided in this segment. Revenue generated from Operating Entities tied to infrastructure and oil sands development increased by $17.8 million and was mainly attributable to a greater demand for services from within Alberta's oil sands. This demand largely related to the revenue generated from a project to design, build, and commission a TFT barge system and from the transportation of oversize modules and vessels. There was also a modest increase in pipeline construction revenue compared to 2009. Other factors impacting revenue were as follows:

Q4 Revenue - Oilfield Services
(unaudited)

($ millions)	2010		2009		Change
	$	%*	$	%*	$
Company	**134.7**	**71.2**	101.1	69.2	33.6
Contractors	**53.0**	**28.0**	43.6	29.8	9.4
Other	**1.5**	**0.8**	1.4	1.0	0.1
Total	**189.2**	**100.0**	146.1	100.0	43.1

** as a percentage of total Oilfield Services revenue*

- Those Operating Entities most directly tied to oil and natural gas drilling activity in western Canada experienced an increase in revenue of approximately $13.5 million. This increase was mainly due to greater demand for the storage, handling and distribution of drilling mud, drill pipe and casing resulting from both increased drilling activity and an increase in the number and length of the horizontal wells being drilled. The demand for rig relocation services also improved compared to prior year levels.
- Revenue from Operating Entities involved in the transportation of fluids and the servicing of wells increased by $11.5 million. A significant portion of the increased revenue resulted from strong demand in southern Saskatchewan. Revenue also increased in all of our other service areas compared to 2009 including the deep basin resource plays in northern Alberta, and northeastern British Columbia, and the heavy oil regions in both the northern and eastern areas of Alberta; and
- A modest increase in demand also led to increased revenue being generated from core drilling services.

Direct Operating Expenses

Direct operating expenses in the fourth quarter increased to $128.5 million, up $31.4 million, or 32.3 percent, from $97.1 million in 2009 as a direct result of the increase in segment revenues during the quarter. Direct operating expenses related to Company Equipment increased by $24.0 million to $89.1 million, or 66.2 percent of Company revenue, compared to $65.1 million or 64.4 percent of Company revenue in 2009. Operating supplies and expenses increased as a percentage of revenue by virtue of a large amount of materials that were purchased on a project to design, build, and commission a TFT barge system. This increase was somewhat offset by a reduction in all other costs associated with Company Equipment as a percentage of Company revenue. The decrease in wages and benefits was due to a couple of factors. First, the TFT barge system project was in the earlier stage of design and procurement resulting in lower costs associated with wages and benefits. Second, several other Operating Entities within the segment experienced decreases in wages and benefits due to a combination of improved pricing and cost control

Q4 Direct Operating Expenses - Oilfield Services
(unaudited)

($ millions)	2010		2009		Change
	$	%*	$	%*	$
Company					
Wages and benefits	**33.8**	**25.1**	28.1	27.8	5.7
Fuel	**10.7**	**7.9**	8.6	8.5	2.1
Repairs and maintenance	**18.4**	**13.7**	15.0	14.8	3.4
Operating supplies	**21.4**	**15.9**	9.3	9.2	12.1
Other	**4.8**	**3.6**	4.1	4.1	0.7
	89.1	**66.2**	65.1	64.4	24.0
Contractors	**39.4**	**74.3**	32.0	73.4	7.4
Total	**128.5**	**67.9**	97.1	66.5	31.4

** as a percentage of respective Oilfield Services revenue*

measures. Direct operating expenses related to Contractors increased by $7.4 million to $39.4 million, or 74.3 percent of Contractors revenue, as compared to $32.0 million, or 73.4 percent of Contractors revenue in 2009. The lower margins generated on Contractors was due to lower average rates within those Operating Entities leveraged to the transportation of fluids and the servicing of wells which could not entirely be passed along to Contractors. In addition, some Operating Entities used more subcontractors as opposed to owner operators where margins are lower. Direct operating expenses as a percent of revenue increased to 67.9 percent in 2010 from 66.5 percent in 2009 due to lower margins generated on Company Equipment and Contractors. In terms of gross margin, this segment experienced an increase of $11.7 million, however, on a percentage of revenue basis the margin decreased to 32.1 percent of segment revenue as compared to 33.5 percent in 2009.

Selling and Administrative Expenses

S&A expenses in the fourth quarter increased to $19.3 million, up $1.6 million, or 9.0 percent, from $17.7 million in 2009. This increase in S&A expenses was attributable to $2.7 million of profit share expense due to the reinstatement of the profit share plan for 2010, offset by a $1.2 million decrease in wages and benefits. The decrease in wages and benefits was mainly due to one-time bonuses in 2009 for employees in Operating Entities whose financial and safety results exceeded expectations. S&A expenses as a percentage of revenue decreased by 1.9 percent to 10.2 percent from 12.1 percent in 2009.

Q4 Selling and Administrative Expenses - Oilfield Services
(unaudited)

($ millions)	2010		2009		Change
	$	%*	$	%*	$
Wages and benefits	**9.4**	**5.0**	10.6	7.3	(1.2)
Communications, utilities and general supplies	**5.5**	**2.9**	5.3	3.6	0.2
Profit share	**2.7**	**1.4**	—	—	2.7
Rent and other	**1.7**	**0.9**	1.8	1.2	(0.1)
Total	**19.3**	**10.2**	17.7	12.1	1.6

** as a percentage of total Oilfield Services revenue*

Operating Income

Operating income[(1)] in the fourth quarter increased by $10.1 million, or 32.3 percent, to $41.4 million from $31.3 million in 2009. Almost all of the Operating Entities in this segment experienced a year over year increase in operating income[(1)]. The $10.1 million increase was mainly attributable to a $5.3 million increase in operating income[(1)] related to those Operating Entities most directly tied to oil and natural gas drilling activity in western Canada which resulted from an increase in drilling activity. The increase in drilling activity also strengthened demand for those Operating Entities involved in the transportation of fluids and the servicing of wells which resulted in a $3.5 million increase in operating income[(1)]. The increase in oil sands activity also led to an increase in operating income[(1)]. Notwithstanding the reinstatement of the 2010 profit share plan, operating income[(1)] as a percentage of revenue, increased to 21.9 percent from 21.4 percent in 2009.

[(1)] *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.*

Capital Expenditures

Net capital expenditures in the Oilfield Services segment increased by $12.0 million or 705.9 percent to $13.7 million in 2010 from $1.7 million in 2009. The Oilfield Services segment had gross capital expenditures in the fourth quarter of $17.0 million and dispositions of $3.3 million for net capital additions of $13.7 million in 2010. Gross capital expenditures mainly consisted of additional equipment for those Operating Entities leveraged to the transportation of fluids and the servicing of wells. Gross capital expenditures were also experienced within core drilling services and to those Operating Entities most directly tied to oil and natural gas drilling. The majority of the dispositions related to the sale of older trucks and trailers and some rental equipment in those Operating Entities most directly tied to oil and natural gas drilling. In 2009, gross capital expenditures were $7.6 million and dispositions were $5.9 million for net capital additions of $1.7 million.

TRUCKING/LOGISTICS SEGMENT

Revenue

This segment was responsible for 36.2 percent of pre-consolidated revenue for the fourth quarter compared to 38.0 percent in 2009. Revenue was $107.9 million, an increase of $18.4 million, or 20.6 percent, from $89.5 million in 2009. Almost all of the Operating Entities within this segment experienced an increase in revenue compared to 2009. The increase in revenue was mainly due to $11.9 million of incremental revenue generated from acquisitions. In addition, stronger demand for transportation services particularly in western Canada also led to increased revenue in certain Operating Entities. Revenue also increased by virtue of higher fuel surcharge revenue associated with higher diesel fuel costs as compared to prior year levels. Somewhat offsetting these increases in revenue was a year over year decrease in revenue resulting from certain projects in 2009 that were not replaced in 2010.

Q4 Revenue - Trucking/Logistics
(unaudited)

($ millions)	**2010**		2009		Change
	$	%*	$	%*	$
Company	**43.3**	**40.1**	33.6	37.5	9.7
Contractors	**63.8**	**59.1**	55.5	62.0	8.3
Other	**0.8**	**0.8**	0.4	0.5	0.4
Total	**107.9**	**100.0**	89.5	100.0	18.4

** as a percentage of total Trucking/Logistics revenue*

Direct Operating Expenses

Direct operating expenses in the fourth quarter increased to $77.9 million, up $12.7 million or 19.5 percent, from $65.2 million in 2009. This $12.7 million increase was directly related to the $18.4 million increase in segment revenues during the quarter. Direct operating expenses related to Company Equipment increased by $6.8 million to $29.6 million or 68.4 percent of Company revenue, compared to $22.8 million or 67.8 percent of Company revenue in 2009. This decrease in margin is attributable to higher fuel and repairs and maintenance costs as a percentage of Company revenue. Higher fuel costs resulted from an increase in the average cost per litre of diesel fuel while repairs and maintenance costs increased mainly due to the seasonality of repairs performed on equipment operated by Smook which was acquired in April 2010. Somewhat offsetting these higher costs was a reduction in operating supplies due to lower sales of certain industrial products. Direct operating expenses related to Contractors increased by $5.9 million to $48.3 million, or 75.7 percent of Contractors revenue, as compared to $42.4 million or 76.4 percent of Contractors revenue in 2009. The higher margin on Contractors was mainly attributable to a reduction in the use of subcontractors that yield lower margins than the use of owner-operators. Direct operating expenses as a percent of revenue decreased to 72.2 percent in 2010 from 72.9 percent in 2009 due to higher margins generated on Contractors. In terms of overall gross margin, this segment experienced a year over year increase of $5.7 million, and, on a percentage of revenue basis the margin increased to 27.8 percent as compared to 27.1 percent in 2009.

Q4 Direct Operating Expenses - Trucking/Logistics
(unaudited)

($ millions)	**2010**		2009		Change
	$	%*	$	%*	$
Company					
Wages and benefits	**9.2**	**21.3**	7.1	21.1	2.1
Fuel	**4.6**	**10.6**	2.8	8.3	1.8
Repairs and maintenance	**6.2**	**14.3**	4.3	12.8	1.9
Operating supplies	**5.0**	**11.6**	4.7	14.0	0.3
Other	**4.6**	**10.6**	3.9	11.6	0.7
	29.6	**68.4**	22.8	67.8	6.8
Contractors	**48.3**	**75.7**	42.4	76.4	5.9
Total	**77.9**	**72.2**	65.2	72.9	12.7

** as a percentage of respective Trucking/Logistics revenue*

Selling and Administrative Expenses

S&A expenses in the fourth quarter increased by $1.8 million to $11.3 million from $9.5 million in 2009. This $1.8 million increase was mainly due to the $2.2 million of profit share expense which resulted from the reinstatement of the profit share plan for 2010 and approximately $0.9 million of S&A expenses from acquisitions. These increases were somewhat offset by a $0.9 million decrease in wages and benefits due to one-time bonuses recorded in 2009 for employees in Operating Entities whose financial and safety results exceeded expectations. S&A expenses as a percentage of revenue decreased slightly by 0.1 percent to 10.5 percent from 10.6 percent in 2009.

Q4 Selling and Administrative Expenses - Trucking/Logistics
(unaudited)

($ millions)	**2010**		2009		Change
	$	**%***	$	%*	$
Wages and benefits	**6.0**	**5.6**	6.9	7.7	(0.9)
Communications, utilities and general supplies	**2.8**	**2.6**	2.3	2.6	0.5
Profit share	**2.2**	**2.0**	—	—	2.2
Rent and other	—	—	0.2	0.2	(0.2)
Foreign exchange loss	**0.3**	**0.3**	0.1	0.1	0.2
Total	**11.3**	**10.5**	9.5	10.6	1.8

* *as a percentage of total Trucking/Logistics revenue*

Operating Income

Operating income[1] in the fourth quarter increased by $3.9 million, or 26.4 percent, to $18.7 million from $14.8 million in 2009. Almost all of the Operating Entities in this segment experienced a year over year increase in operating income[1]. The $3.9 million increase was attributable to the stronger demand for bulk transportation services, LTL freight, and distribution services which was mainly associated with the Operating Entities providing these services in western Canada. The increase also resulted from the incremental operating income[1] generated from acquisitions. Notwithstanding the reinstatement of the 2010 profit share plan, operating income[1] as a percentage of revenue, increased to 17.3 percent from 16.5 percent in 2009.

(1) *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.*

Capital Expenditures

Net capital expenditures in the Trucking/Logistics segment increased by $0.8 million or 33.3 percent to $3.2 million in 2010 from $2.4 million in 2009. The Trucking/Logistics segment had gross capital expenditures in the fourth quarter of $3.7 million and dispositions of $0.5 million for net capital expenditures of $3.2 million in 2010. Gross capital expenditures consisted of purchasing various pieces of operating equipment as well as the replacement of older trucks and trailers. In 2009, gross capital expenditures were $2.7 million and dispositions were $0.3 million for net capital expenditures of $2.4 million.

CORPORATE

In the fourth quarter, the Corporate Office generated miscellaneous revenue of $0.4 million and incurred net administrative expenses of $2.2 million, which resulted in a net operating loss of $1.8 million. For the same period in 2009, Corporate Office generated miscellaneous revenue of $0.3 million and incurred net administrative expenses of $2.4 million which resulted in a net operating loss of $2.1 million. Both the amount of miscellaneous revenue generated and the amount net administrative expenses incurred in the Corporate Office remained consistent on a year over year basis.

CAPITAL RESOURCES AND LIQUIDITY – FOURTH QUARTER RESULTS

Sources and Uses of Cash

(unaudited) *($ millions)*	Three month period ended December 31 2010	2009
Cash and cash equivalents, beginning of period	$ 116.3	$ 192.2
Sources of cash and cash equivalents:		
Funds from operations[1]	52.3	33.5
Changes in non-cash working capital items from investing activities	2.9	—
Total sources	55.2	33.5
Uses of cash and cash equivalents:		
Changes in non-cash working capital items from operating activities	9.1	0.9
Cash dividends paid to common shareholders	9.8	10.1
Net property, plant and equipment additions	14.3	5.9
Purchase of investments	4.2	—
Other assets	13.0	1.8
Acquisitions	6.3	1.3
Repayment of long-term debt and loans	1.5	0.8
Total usage	58.2	20.8
(Decrease) increase in cash and cash equivalents	(3.0)	12.7
Cash and cash equivalents, end of period	$ 113.3	$ 204.9

[1] *Funds from operations is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.*

In the fourth quarter of 2010, funds from operations[1] were $52.3 million, an increase of $18.8 million, or 56.1 percent, from $33.5 million in 2009. This increase was mainly due to the $14.3 million increase in operating income[1] in the fourth quarter compared to the same period in 2009. Funds from operations also increased by virtue of a $4.1 million decrease in current income taxes. Funds from operations also increased due to a $0.5 million reduction in interest and accretion expense by virtue of the impact of the change over the quarter in the value of the CDN. dollar relative to the U.S. dollar on the Corporation's $235.0 million of U.S. dollar denominated debt. On a per share basis, funds from operations[1] were $0.66 per share in the fourth quarter of 2010, an increase of $0.25 from the $0.41 generated in the same period in 2009.

In the fourth quarter of 2010, $52.3 million of funds from operations[1] were supplemented by $2.9 million from changes in non-cash working capital items from investing activities. Cash was used to acquire net property, plant and equipment in the amount of $14.3 million, finance $13.0 million of other assets, pay cash dividends totaling $9.8 million, finance $9.1 million from changes in non-cash working capital items from operating activities, fund acquisitions of $6.3 million, purchase investments of $4.2 million, and repay long-term debt and loans of $1.5 million.

[1] *Funds from operations and operating income are a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.*

In the fourth quarter of 2010, cash flow from operating activities was $43.2 million, an increase of $10.6 million, or 32.5 percent, from $32.6 million in 2009. This increase was due to the $18.8 million increase in funds from operations[1] as discussed above. Somewhat offsetting the increase in funds from operations was a year over year variance of $8.2 million in changes in non-cash working capital items from operating activities. The $8.2 million change in non-cash working capital items from operating activities is detailed in the following chart:

Changes in Non-cash Working Capital Items from Operating Activities

Sources (uses) of cash (unaudited) ($ millions)		Dec. 31, 2010 [2]	Sept. 30, 2010	Change $	Dec. 31, 2009 [2]	Sept. 30, 2009	Change $	3 month Variance $
Accounts receivable	$	**194.3**	**186.4**	**(7.9)**	150.1	148.5	(1.6)	(6.3)
Inventory		**23.4**	**25.2**	**1.8**	22.4	22.7	0.3	1.5
Prepaid expenses		**8.4**	**9.2**	**0.8**	7.9	10.2	2.3	(1.5)
Accounts payable and accrued liabilities		**(89.0)**	**(87.0)**	**2.0**	(69.4)	(72.3)	(2.9)	4.9
Income tax payable		**(5.3)**	**(11.1)**	**(5.8)**	(36.0)	(35.0)	1.0	(6.8)
Total sources (uses) of cash from non-cash working capital items:	$	**131.8**	**122.7**	**(9.1)**	75.0	74.1	(0.9)	(8.2)

[2] Non-cash working capital items exclude working capital acquired from acquisitions during the period.

In the fourth quarter of 2010, Mullen Group had $9.1 million in uses of cash from changes in non-cash working capital items from operating activities compared to $0.9 million in uses of cash in 2009. The $8.2 million increase in uses of cash from changes in non-cash working capital items from operating activities was mainly due to:

- a variance of $6.3 million in accounts receivable. In the fourth quarter of 2009, accounts receivable increased by $1.6 million compared to an increase of $7.9 million in 2010. During 2010, demand for the services offered by Mullen Group's Operating Entities continually strengthened which resulted in an increase in accounts receivable.

- a variance of $6.8 million in income tax payable. In the fourth quarter of 2009, income tax payable increased by $1.0 million compared to a $5.8 million decrease in 2010.

Offsetting these items was a variance of $4.9 million in accounts payable and accrued liabilities. In the fourth quarter of 2009, accounts payable and accrued liabilities decreased by $2.9 million which mainly resulted from lower costs associated with a reduction in revenue due to the decline in drilling activity. In 2010, accounts payable and accrued liabilities increased by $2.0 million by virtue of the additional cost associated with the strengthening in demand experienced in 2010 and due to the reinstatement of the profit share plan in 2010.

TRANSACTIONS WITH RELATED PARTIES

In 2010, Mullen Group generated revenue of $4.7 million by providing transportation services to customers related by common directors, a decrease of $3.2 million from the $7.9 million generated in 2009. In 2010, $3.5 million (2009 - $7.2 million) of this revenue was generated by Operating Entities within the Oilfield Services segment. The revenue generated in 2010 predominately related to the transportation of fluid and the servicing of wells. Some of the other services provided consisted of the transportation of drilling mud, pipe casing, drilling rig relocation services and general oilfield hauling. The $7.2 million of revenue generated in 2009 predominately related to rig relocation services and the transportation of fluid and the servicing of wells. The Trucking/Logistics segment generated $1.2 million of revenue in 2010 (2009 - $0.7 million) which mainly related to the transportation of flex pipe as well as some miscellaneous equipment. In 2010, Mullen Group sold land and buildings to a company related by common directors for proceeds on sale of $3.7 million.

In 2010, Mullen Group incurred a nominal amount of $32,840 in expenses from related parties for transportation services compared to $1.4 million in 2009 which related to operations within the Oilfield Services segment. Most of the services provided in 2009 related to the transportation of fluids and drilling rig relocation services with companies related by common directors. Other expenses of $1.0 million (2009 - $0.9 million) related to both camp and catering services, and land and building rent paid to companies related by common directors, and to a private company owned or controlled by a director of Mullen Group, respectively. In 2010, an Operating Entity within the Oilfield Services segment purchased four core drilling rigs and the associated rigging equipment for $2.6 million from a company related by common directors.

At December 31, 2010, Mullen Group had accounts receivable of $4.4 million (2009 - $0.4 million) from related parties which mainly consisted of the $3.7 million of proceeds from the sale of the land and buildings described above. The $3.7 million was collected subsequent to December 31, 2010. The remaining $0.7 million consisted of amounts outstanding from various companies related by common directors.

All of the transactions noted above occurred in the normal course of operations with terms consistent with those offered to arm's length parties and are measured at the exchange amount. Mullen Group does not have any long-term contracts with any related party.

PRINCIPAL RISKS AND UNCERTAINTIES

The operational complexities inherent in our business, together with the highly regulated and competitive environment of the industries in which we operate, leave Mullen Group exposed to a number of risks and uncertainties ("risks"). Many of these risks, for example, the cyclical nature of the oil and natural gas industry, can be mitigated to a certain degree but still remain outside of our control. Management believes that the risks described below are the ones that could have the most significant impact on Mullen Group. Readers are cautioned that the foregoing list of risks is not exhaustive and new information, future events or changing circumstances could affect the operations and financial results of the Mullen Group.

The transportation business and other activities of Mullen Group are directly affected by fluctuations in the general economy, including the amount of trade between Canada and the United States, and the value of the Canadian dollar as compared to the U.S. dollar. The Oilfield Services segment is directly affected by fluctuations in the levels of oil and natural gas drilling activity, oilsands development and production activity carried on by its customers, which in turn is dictated by numerous factors, including world energy prices and government policies.

Mullen Group has a risk management review process to ensure that its risks are mitigated where possible. The risk management review process highlights the significant risks which then leads to mitigation plans through, among other things, the establishment of standards and other controls. Mullen Group has established and enforces a corporate wide Code of Ethics and Conduct and has instituted an anonymous Whistleblower protocol. The inability to identify, assess and respond to risks through the risk management review process could lead to,

among other things, an inability to capture opportunities, threats materializing, inefficiency and non-compliance with laws and regulations.

The most significant risks are categorized and described as follows:

Strategic	Financial	Operational
• Global Economic Crisis • Oil and Natural Gas Drilling Activity • Changes in Legislation • Failure to Realize Anticipated Benefit of Acquisitions and Disposals • Competition • Climate Change Regulations and Carbon Pricing/Taxes • Alternatives to and Changing Demand For Petroleum Products	• Foreign Exchange • Access to Financing • Reliance on Major Customers • Credit Risk • Interest Rates • Capital Expenditures	• Fuel Prices • Potential Operating Risks and Insurance • Environmental Liability Risks • Employees and Labour Relations • Cost Escalation • Access to parts, Development of New Technology and Relationships with Key Suppliers • Digital Infrastructure • Business Continuity, Disaster Recovery and Crisis Management • Regulation • Weather and Seasonality

STRATEGIC RISKS:

Global Economic Crisis

The global economic crisis that became well publicized in 2008 and led to a global recession resulting in rapidly changing negative market events and conditions, including disruptions in the international credit markets and other financial systems causing a deterioration of global economic conditions that resulted in significant volatility in commodity prices. The unprecedented scale of the policy measures taken by governments during the early stage of the crisis has assisted in stabilizing the financial system leading to the economic recovery experienced in 2010. Despite the notable progress made by the banking sector in disposing of its troubled assets, multiple risks remain. Most countries have kept in place, or even intensified, policies of cheap money (low interest rates and quantitative easing) in efforts to help financial sectors return to normalcy and stimulate economic activity as fiscal stimuli are being phased out. This has, however, added new risks, including greater exchange-rate volatility among major currencies and a surge of volatile capital flows to emerging markets, which have already become a source of economic tension and could harm the recovery in the near term. Such tensions have weakened the commitment to coordinate policies at the international level, which in turn has made dealing with the global imbalances, and other structural problems that led to the crisis, as well as those that were created by it, all the more challenging.

Most commodity prices have rebounded. The world price of crude oil fluctuated around $78 USD per barrel during 2010, up considerably from lows experienced in 2008. However, petroleum prices may remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, Organization of the Petroleum Exporting Countries actions, the ongoing global credit and liquidity concerns and political instability in certain oil producing regions.

After a period of fragile and uneven recovery, the global economic crisis appears to be waning and an economic recovery may be taking hold. In order to mitigate this risk, Mullen Group endeavours to maintain a strong balance sheet through its structured debt and a positive working capital position. Furthermore, Mullen Group manages its cash flows prudently to ensure it maintains what it believes is an appropriate level of liquidity to carry out its strategic plans.

Oil and Natural Gas Drilling Activity

A significant portion of Mullen Group's revenue and operating income[1] is related to oil and natural gas drilling activity in western Canada. As a service provider to the oil and natural gas industry, Mullen Group is highly reliant on levels of capital expenditures made by oil and natural gas producers. Exploration and production companies base their capital expenditures on several factors, including but not limited to hydrocarbon prices, production levels and access to capital. Oil and natural gas producers and explorers tend to examine long-term fundamentals affecting the foregoing factors before they adjust their capital budgets to reflect those factors. In recent years, commodity prices, and therefore, the level of drilling, production and exploration activity have been volatile. Any prolonged, substantial reduction in commodity prices will likely affect the activity levels of the exploration and production companies and the demand for Mullen Group's services. A significant, prolonged decline in commodity prices could have a material adverse effect on the business, results of operation and financial condition of Mullen Group's Oilfield Services segment.

In consideration of this risk, Mullen Group endeavours to ensure that its costs and pricing are appropriate for the anticipated level of drilling activity and continually assesses the requirements for further investments in its Oilfield Services segment and we have diversified our operations to mitigate this risk.

(1) *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.*

Changes in Legislation

The operations of Mullen Group are subject to a variety of federal, provincial and local laws, regulations and guidelines. There can be no assurance that such laws, regulations and guidelines, including income tax laws and the status of government programs relating to the oil and natural gas industry, the energy services industry and the transportation industry, and environmental and applicable operating legislation will not be changed in a manner which adversely affects Mullen Group. Any such change could have a material adverse effect on Mullen Group's business, results of operations and financial condition.

There can be no assurance that the laws, regulations or rules governing Mullen Group's customers will not be changed in a manner which adversely affects such customers and, thereby, Mullen Group. During 2007 such occurred by virtue of the Alberta government's decision to change the royalty regime governing the oil and natural gas industry in Alberta. This decision could continue to adversely affect drilling activity in Alberta in future years.

The diversity of Mullen Group's Operating Entities and its decentralized business model may diminish the effect that a change in legislation could have on Mullen Group as a whole. This diversification strategy has resulted in Mullen Group investing in several sectors of the economy, most notably oilfield service, transportation and logistics, and in many geographic regions across Canada. Mullen Group monitors proposed legislative changes and participates with various industry associations in advocating for reasonable and non-disruptive regulatory changes.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

Mullen Group makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets will be periodically disposed of so that Mullen Group can focus its efforts and resources more efficiently. Depending on the state of the market such non-core assets, if disposed of, could be expected to realize less than their carrying value on the consolidated financial statements of Mullen Group.

Competition

The various business segments in which Mullen Group participates are highly competitive. Mullen Group competes with several large companies in the transportation and energy services industry that may have greater financial and other resources than Mullen Group. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of Mullen Group or that new competitors will not enter the various markets in which Mullen Group is active.

In certain aspects of its business, Mullen Group has competitive advantages such as lower overhead costs and specialized regional strengths. Mullen Group endeavours to use technological change and innovation to remain competitive in its various businesses. Furthermore, the diversity of Mullen Group's Operating Entities and its decentralized business model may diminish the effect that new competitive forces might have on Mullen Group as a whole.

Climate Change Regulations and Carbon Pricing/Taxes

A change in this regulatory regime may impact our customers and our operations. Climate change regulations and carbon taxes may lead to project delays and additional costs to producers affecting both their profitability and their investments in oil and natural gas. Given the evolving nature of the debate related to climate change, it is not currently possible to predict the nature of or the impact on Mullen Group and its operations and financial condition at this time.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Management cannot predict the impact of changing demand for oil and natural gas products, and any major changes could have a material adverse effect on Mullen Group's business, results of operations and financial condition.

FINANCIAL RISKS

Foreign Exchange

Mullen Group is exposed to foreign exchange risk as the value of the Canadian dollar declines against the U.S. dollar, as U.S. $235.0 million of its Private Placement Debt is repayable in U.S. funds. Mullen Group is also exposed to foreign exchange risk since the interest on its U.S. $235.0 million of Private Placement Debt is payable in U.S. dollars. This risk is partially offset by the fact that Mullen Group generates surplus U.S. funds in its operations.

Access to Financing

Mullen Group may find it necessary in the future to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Mullen Group when needed or on terms acceptable to Mullen Group which could limit Mullen Group's growth and could have a material adverse effect on Mullen Group's business, results of operations and financial condition.

Mullen Group manages its cash flows diligently to ensure that it maintains what it believes is a suitable level of liquidity and leverage. Mullen Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Mullen Group is of the view that it will be able to obtain additional financing when needed, in the amounts it requires and on terms acceptable to it, however, there is no assurance that such additional financing will be available to Mullen Group when needed or on terms acceptable to Mullen Group.

Reliance on Major Customers

The top 10 customers of Mullen Group accounted for approximately 34.3 percent of the Corporation's revenue for the year ended December 31, 2010 and the largest customer accounted for approximately 8.5 percent of such revenue. There can be no assurance that Mullen Group's current customers will continue their relationships with Mullen Group. The loss of one or more major customers, or any significant decrease in transportation services or oilfield services provided to a customer, prices paid, or any other changes to the terms of service with customers, could have a material adverse effect on Mullen Group's business, results of operations and financial condition.

Mullen Group attempts to mitigate this risk through its diversification strategy in an attempt to ensure that Mullen Group, as a whole, does not become reliant on any single customer.

Credit Risk

Substantial portions of Mullen Group's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be impacted by fluctuations in commodity prices. Although collection of these receivables could be influenced by economic factors affecting this industry, management considers the risk of a significant loss to be remote at this time. Mullen Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Mullen Group hauls a wide variety of freight for a broad customer base which spans numerous industries. Mullen Group's top ten customers are all well-known, publicly-traded companies.

Mullen Group mitigates this risk through its diversification strategy to ensure that Mullen Group, as a whole, does not have undue exposure to any one account (see Reliance on Major Customer's section). Mullen Group has established a credit policy under which new customers are reviewed for creditworthiness before services are offered. The review includes external ratings, where available, and in certain cases bank references. Customers that fail to meet the Corporation's benchmark creditworthiness may transact with the Corporation only on a prepayment basis. Mullen Group reviews its accounts receivable aging on an ongoing basis as part of its process in managing its credit risk.

Interest Rates

At December 31, 2010 most of Mullen Group's debt was financed at fixed rates maturing in 6 to 8 years which protects it from interest rate increases. However, Mullen Group's Bank Credit Facility with its lender has a floating interest rate therefore; to the extent Mullen Group utilizes this credit facility it has a risk of interest rates rising. Although this facility was available, as at December 31, 2010 Mullen Group had not drawn on this facility.

Mullen Group has mitigated the risk of rising interest rates by financing most of its debt at fixed rates.

Capital Expenditures

The timing and amount of capital expenditures by Mullen Group may affect the amount of cash available for dividends.

OPERATIONAL RISKS

Fuel Prices

One of Mullen Group's largest operating expenses is fuel and as such higher fuel prices could have a material adverse effect on Mullen Group's business, results of operations and financial conditions.

Mullen Group mitigates this exposure to rising costs through the implementation of various fuel surcharge programs which pass the majority of cost increases to its customers. In addition, Mullen Group has implemented policies that focus on fuel efficiency including: fuel economy, asset utilization and minimizing dead-head mileage, proper repairs and maintenance of equipment, idling and speed policies.

Potential Operating Risks and Insurance

Mullen Group's Oilfield Services' operations are subject to risks inherent in the oil and natural gas industry, such as equipment defects, malfunction, failures and natural disasters. These risks could expose Mullen Group to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages. In addition, Mullen Group's transportation operations are subject to risks normally inherent in the transportation industry, including potential liability which could result from, among other things, personal injury or property damage arising from motor vehicle accidents.

Although Mullen Group has obtained insurance against certain of the risks to which it is exposed, such insurance is subject to coverage limits and no assurance can be given that such insurance will be adequate to cover Mullen Group's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If Mullen Group were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if Mullen Group were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Mullen Group has insurance and risk management programs in place to protect its assets, operations and employees. Mullen Group also has programs in place to address compliance with current safety and regulatory standards. Mullen Group has a health and safety coordinator in each operating subsidiary responsible for maintaining and developing policies and monitoring operations vis-à-vis those policies. The health and safety coordinators are required to report incidents directly to the Vice President, Safety and Loss Prevention of Mullen Group who reports directly to the Chief Executive Officer of Mullen Group.

Environmental Liability Risks

Certain of Mullen Group's subsidiaries will routinely deal with natural gas, oil and other petroleum products. Canadian laws generally impose potential liability to the present or former owners or occupants of properties on which contamination has occurred.

Although Mullen Group is not aware of any contamination which, if remediation or clean up were required, would have a material adverse effect on Mullen Group, there can be no assurance that Mullen Group will not be required, at some future date, to incur significant costs to comply with environmental laws, or that its operations, business, assets or cash flow will not be materially adversely affected by current or future environmental laws.

Mullen Group has programs to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that Mullen Group's procedures will prevent environmental damage occurring from spills of materials handled by Mullen Group or that such damage has not already occurred.

Employees and Labour Relations

The success of Mullen Group is dependent upon Mullen Group's ability to attract and retain key personnel. Any loss of the services of such persons could have a material adverse effect on Mullen Group's business, results of operations and financial condition. The ability of Mullen Group to expand its services will be dependent upon Mullen Group's ability to attract additional qualified employees which is constrained in times of strong industry activity. The failure to attract and retain a sufficient number of qualified drivers and owner-operators could also have a material adverse affect on the profitability of Mullen Group.

The largest components of Mullen Group's overall expenses are salary, wages, benefits and costs of contractors. Any significant increase in these expenses could impact the financial results of Mullen Group. In addition, Mullen Group is at risk if there are any labour disruptions. Some of Mullen Group's Operating Entities are subject to collective agreements with their employees. Any work stoppages or unbudgeted or unexpected increases in compensation could have a material adverse affect on Mullen Group's profitability and reduce cash flow from operating activities.

Cost Escalation

Cost escalations due to rising costs, effect of inflation, the price of fuel, equipment and other input costs, insurance costs, interest rates, fluctuations in customers' business cycles and national and regional economic conditions are factors over which Mullen Group has little or no control. Significant increases in fuel prices, equipment prices, other input prices, interest rates or insurance costs, to the extent not offset by increases in transportation rates or contractual surcharges, or disruptions in fuel supply, would reduce profitability and could adversely affect Mullen Group's ability to carry out its strategic plans. Mullen Group cannot predict the impact of future economic conditions and there is no assurance that the operations of Mullen Group will continue to be profitable.

Mullen Group focuses on operational excellence, synergies between its Operating Entities and cost control. Mullen Group relies on, among other things, long-term planning, budgeting processes, and internal benchmarking to achieve its profitability targets.

Access to Parts, Development of New Technology and Relationships with Key Suppliers

The ability of Mullen Group to compete and expand is most directly tied to Mullen Group having access, at a reasonable cost, to equipment, parts and components, which are at least technologically equivalent to those utilized by competitors and to the development and acquisition of new and competitive technologies. Although Mullen Group has individual distribution agreements with various key suppliers, there can be no assurance that those sources of equipment, parts, components or relationships with key suppliers will be maintained by Mullen Group. If these are not maintained, Mullen Group's ability to compete may be impaired. Mullen Group is able to access certain distributors and secure discounts on parts and components that would not be available if it were not for its relationship with certain key suppliers. Should the relationships with key suppliers cease the availability and cost of securing certain equipment and parts may be adversely affected.

Mullen Group assesses its suppliers and endeavours to ensure that its suppliers are financially viable or that suitable substitutes exist.

Digital Infrastructure

A well functioning and efficient IT system is a prerequisite to growth, operational excellence and superior customer service, to aid day-to-day operational management and to provide accurate financial information. Our business involves high transaction volumes, complex logistics, the need to track thousands of orders and trucks at any given time and the need to communicate with trucks and field personal in real time. We are therefore heavily dependent on the certain software, satellite systems and network infrastructure. A serious prolonged failure in this area may materially affect our business.

Both at the corporate level and in the individual Operating Entities, IT systems are subject to stringent guidelines, standardization, vigorous virus and access protection, back-up systems and replicated data. Mullen Group employs project management techniques to manage new software developments and/or system implementations. Mullen Group has a disaster recovery plan in place which is evaluated periodically and portions thereof are tested on a regular basis. Hosted by a reputable third-party, our main data centre has high levels of durability and redundancy built into it. Additionally, we have a second operational data centre which will allow the Corporation to continue processing data in the event of a major incident.

Business Continuity, Disaster Recovery and Crisis Management

Inability to restore or replace critical capacity in a timely manner may impact business and operations. A serious event could have a material adverse effect on Mullen Group's business, results of operations and financial condition.

This risk is mitigated by the development of business continuity arrangements, including disaster recovery plans and back-up delivery systems, to minimize any business disruption in the event of a major disaster. Insurance coverage may minimize any losses in certain circumstances.

Regulation

Notwithstanding that the transportation industry is largely deregulated in terms of entry into the industry; each carrier must obtain a license from, or register with, provincial regulatory authorities in order to carry goods extra-provincially or to transport goods within any province. Licensing is also required from regulatory authorities in the United States for the transportation of goods between Canada and the United States. Changes in regulations applicable to Mullen Group could increase operating costs and have a material adverse effect on Mullen Group's business, results of operations and financial condition. The right to continue to hold applicable licenses and permits is generally subject to maintaining satisfactory compliance with regulatory and safety guidelines, policies and regulations. Although Mullen Group is committed to compliance and safety through its operational excellence initiatives, there is no assurance that Mullen Group will be in full compliance at all times with such policies, guidelines and regulations. Consequently, at some future time, Mullen Group could be required to incur significant costs to maintain or improve its compliance record.

Mullen Group monitors regulatory framework with particular focus on over-dimensional freight and transportation of fluids and works with industry associations to advocate its needs to regulators and ensure equipment meets regulations and capital is invested to meet current and anticipated regulatory requirements.

Weather and Seasonality

Harsh weather conditions can impede the movement of goods and increase the operating costs for the materials that can be transported, which could have a material adverse effect on Mullen Group's business, results of operations and financial condition.

In general, the level of activity in the Canadian oilfield service industry is influenced by seasonal weather patterns. Wet weather and the spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Additionally, certain oil and natural gas producing areas are only accessible in the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the goods and services of Mullen Group.

Mullen Group mitigates some of this risk by charging standby fees or by positioning equipment in strategic locations in order to take advantage of good weather conditions when they occur. Mullen Group also manages this risk by diversifying its operations and by using subcontractors and owner-operators, which require no investment by the Corporation, to handle seasonal peaks. Mullen Group's growth through acquisition into businesses not directly tied to oil and natural gas drilling activity has lessened the seasonal nature of Mullen Group's overall performance.

CRITICAL ACCOUNTING ESTIMATES

This MD&A summarizes Mullen Group's financial condition and results of operations which are based upon its audited consolidated financial statements, which have been prepared in accordance with Canadian GAAP. The audited consolidated financial statements require management to select significant accounting policies which are contained within the notes to the consolidated financial statements (see Note 1 for a description of significant accounting policies). These significant accounting policies involve critical accounting estimates due to complex judgments and assumptions required to be made by management. The following describes Mullen Group critical accounting estimates:

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of a business acquisition over the fair value of the underlying net assets at the date of acquisition. In accordance with the CICA Handbook Section 3064, goodwill is not amortized and is subject to an annual impairment test, or more frequently if events or changes in circumstances indicate the net asset might be impaired.

When the carrying value of the reporting unit exceeds its fair value, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill is determined in a business acquisition, is compared with its carrying amount to measure the amount of the impairment loss, if any.

At December 31, 2010 and 2009, Mullen Group performed its annual impairment test for goodwill. It was concluded that there was no impairment of goodwill in either of Mullen Group's operating segments. At December 31, 2010, the fair value of the two operating segments exceeded their respective carrying amounts.

The fair value of goodwill in both operating segments was calculated based on the segments' trailing twelve months operating income[1] multiplied by an average trading multiple consistent with comparable companies operating within the same industry with a slight or no control premium. Using the same methodology in 2009 Mullen Group did not recognize an impairment of its goodwill in either of its operating segments.

Intangible assets are mainly comprised of customer relationships and non-competition agreements. The fair value of these assets are calculated when a business is acquired and then amortized on a straight-line basis over their estimated life. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset is not recoverable and exceeds its estimated fair value. At December 31, 2010 and 2009, intangible assets were not reviewed for impairment given there were no changes in circumstances that indicated that the carrying amount may not be recoverable.

[1] *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 62 of this MD&A.*

Depreciation and Amortization

Property, plant and equipment are initially recognized at cost and includes all expenditures directly attributable to bringing the asset to its intended use. The method and rates used in calculating depreciation on property, plant and equipment is an estimate. Mullen Group calculates depreciation on property, plant and equipment using the declining balance method for all assets except drilling rigs which are depreciated using the unit-of production method. Mullen Group believes its methods and rates of depreciation reasonably reflect the annual decline in the value of property, plant and equipment. These methods and rates used are validated by the fact that net gains or losses on sale of property, plant and equipment over the last 10 years have been minimal, which indicates that the net book value of assets approximates fair market value over an extended period of time. There have been no significant changes made to the methods or rates used by Mullen Group to estimate depreciation expense on

property, plant and equipment during the past two years. At December 31, 2010, the Oilfield Services segment had a carrying value of property, plant, and equipment of $369.7 million (2009 - $381.2 million) compared to $92.9 million (2009 - $74.2 million) in the Trucking/Logistics segment.

Intangible assets are amortized on a straight line basis over a period of five to ten years. Mullen Group determines the length of the amortization period at the date of acquisition. The method used in determining the amortization period is based upon the anticipated present value of future cash flows generated from customer relationships purchased on acquisitions. At December 31, 2010, the Oilfield Services segment had a carrying value of intangible assets of $55.9 million (2009 - $68.2 million) compared to $6.6 million (2009 - $4.2 million) in the Trucking/Logistics segment.

Allowance for Doubtful Accounts

Mullen Group evaluates accounts receivable through a continuous process of assessing its customers on both an overall consolidated and individual basis. Mullen Group's review includes an assessment of external credit ratings, the review of historical collection experience, current aging status of customer accounts, and in certain instances, a review of the financial condition of some customers. Based on the results of this review, Mullen Group establishes an allowance for doubtful accounts on a customer by customer basis. This process involves a high degree of judgment and estimation. Accordingly, Mullen Group's results of operations can be affected by adjustments to the allowance due to actual write-offs which can differ from estimated amounts. Mullen Group considers its allowance for doubtful accounts of $2.5 million (2009 - $2.6 million) against total gross accounts receivable of $207.4 million (2009 - $153.6 million) at the end of December 31, 2010 to be reasonable.

Income Taxes

Mullen Group follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. Mullen Group operates in several provincial jurisdictions and is subject to various rates of taxation. The actual amount of tax ultimately paid in these jurisdictions may differ from the estimated amount.

Stock-based Compensation

Mullen Group records stock-based compensation expense to reflect the fair value of share-based payment transactions. At Mullen Group, stock-based compensation expense arises when stock options are granted to officers and employees under its Stock Option Plan (the "Plan"). Mullen Group accounts for stock-based compensation in accordance with the fair value recognition provisions under Canadian GAAP. Effective January 1, 2010, Mullen Group changed its method of recognizing stock-based compensation expense to a graded vesting schedule compared to the previously used straight line method. This change in accounting treatment requires retroactive application however, there was no material impact to prior year's results. Therefore, Mullen Group did not restate prior year results. Determining the fair value of stock-based award at the date of grant requires judgment and includes certain estimates. These estimates include the expected life of the stock options, the expected volatility of Mullen Group's share price and expected dividends. In addition, estimates are required as to the number of stock options that are expected to be forfeited. Mullen Group uses estimates and assumptions that are acceptable under Canadian GAAP to determine the fair value of these options on the date of grant. In 2010, Mullen Group recorded stock-based compensation expense of $2.1 million (2009 - $1.0 million).

FINANCIAL INSTRUMENTS

At December 31, 2010, Mullen Group's financial assets and liabilities consisted primarily of cash and cash equivalents, accounts receivable, investments, accounts payable, long-term debt and Debentures. Mullen Group is exposed to certain credit, liquidity, and market risks associated with its financial assets and liabilities. Management has established certain policies and procedures with which it follows to mitigate this risk and continually monitors Mullen Group's exposure to all significant risks to assess the impact on its operating activities. Mullen Group does not hold or use any derivative instruments for trading or speculative purposes.

Credit Risk

Credit risk is the risk of financial loss to Mullen Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Mullen Group's receivables from customers and investment securities.

Mullen Group's main exposure to credit risk relates to the $207.4 million of gross accounts receivable outstanding at December 31, 2010. No customer accounted for more than ten percent of Mullen Group's revenue in 2010. Management has established a credit policy under which new customers are analyzed for creditworthiness before Mullen Group extends credit. Mullen Group monitors its accounts receivable aging on an ongoing basis as part of its process in managing its credit risk. Mullen Group establishes, on a specific account basis, an allowance for doubtful accounts that represent its estimate of potential losses in respect of trade and other receivables. At December 31, 2010, Mullen Group's allowance for doubtful accounts totaled $2.5 million.

Liquidity Risk

Liquidity risk is the risk that Mullen Group will not be able to meet its financial obligations as they fall due. Mullen Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Mullen Group's reputation. Typically, Mullen Group ensures that it has sufficient cash or available credit lines to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, excluding interest payments and the impact of any option to purchase equipment at the end of the term:

December 31, 2010	Carrying amount	Contractual cash flows	3 months or less	2011 - 2012	2013 - 2014	Thereafter
Private Placement Debt	391,049	391,049	—	—	—	391,049
Debentures	117,067	117,067	—	—	—	117,067
Financing and other loans	8,980	8,980	759	6,704	1,517	—
Operating leases	25,098	25,098	2,402	12,726	6,776	3,194
Accounts payable and accrued liabilities	96,864	96,864	96,864	—	—	—
Total	639,058	639,058	100,025	19,430	8,293	511,310

Mullen Group maintains a strong liquidity position with a working capital surplus at December 31, 2010 of $242.7 million consisting mainly of $113.3 million of cash and cash equivalents and has an unused Bank Credit Facility of $25.0 million available at December 31, 2010. Mullen Group had $514.1 million of debt at December 31, 2010 comprised of $117.1 million of Debentures, and $397.0 of long-term debt (excluding the current portion thereof), the majority of which does not begin to mature until 2016. The Capital Resources and Liquidity section noted on page 44 of this MD&A provides additional disclosure regarding Mullen Group's liquidity position.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect Mullen Group's income or the value of its holdings of financial instruments. The objective of management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) *Currency risk*

Mullen Group has U.S. $235.0 million in Private Placement Debt which exposes Mullen Group to foreign currency fluctuations. As a result, a $0.01 decline in the value of the CDN. dollar versus the U.S. dollar results in a $2.35 million unrealized loss on foreign exchange. Similarly, a $0.01 increase in the value of the CDN. dollar versus the U.S. dollar results in a $2.35 million unrealized gain on foreign exchange. Annual interest expense on these borrowings is U.S. $14.5 million and is also exposed to foreign currency fluctuations.

Mullen Group is exposed to currency risk on revenues, expenses, accounts receivable and accounts payable that are denominated in U.S. funds. On an annual basis, Mullen Group's Operating Entities generate more U.S. dollar revenues than U.S. dollar expenses. The surplus U.S. cash generated acts as a natural hedge against the annual interest commitment of U.S. $14.5 million.

(ii) *Interest rate risk*

Mullen Group manages its interest rate risk through a combination of fixed and floating rate borrowings. In the short-term, Mullen Group is exposed to fluctuations in floating interest rate terms on the Bank Credit Facility. In the long term, Mullen Group is susceptible to interest rate decreases as the interest rates on the majority of Mullen Group's long-term debt are at fixed annual rates. The interest rate on Mullen Group's Private Placement Debt is fixed at annual rates ranging between 5.47 percent and 6.39 percent. The interest rate on the Debentures is fixed at an annual rate of 10.0 percent.

CHANGES IN ACCOUNTING POLICIES

Business Combinations

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1582, Business Combinations, which replaces Section 1581. Section 1582 is effective January 1, 2011 and harmonizes the Canadian standards with IFRS. Early adoption of Section 1582 is permitted. Mullen Group has early adopted Section 1582 effective January 1, 2010 to harmonize Mullen Group's December 31, 2010 consolidated financial statements with IFRS for comparative purposes to avoid a restatement upon conversion to IFRS. Under Section 1582, when an acquirer issues common shares as consideration in a business combination, the value attributed to the common shares is based upon the market price of the common shares at the closing date of the acquisition. In addition, Section 1582 generally requires contingent consideration to be recognized on the date of the acquisition and all acquisition costs to be expensed immediately after closing whereas current standards allow for the capitalization of these costs as part of the purchase price.

Stock-based Compensation

Effective January 1, 2010, Mullen Group changed its method of recognizing stock-based compensation expense to a graded vesting schedule compared to the previously used straight line method. This change harmonizes the Canadian GAAP accounting treatment for stock options with IFRS avoiding a restatement for comparative purposes of the 2010 consolidated financial statements upon conversion to IFRS. Mullen Group has assessed the impact of this change in accounting treatment which requires retroactive application and noted no material impact to its prior year's reported results. Thus, Mullen Group has not restated prior year's financial results.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards

In 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to adopt IFRS, for interim and annual reporting purposes, beginning on or after January 1, 2011. The adoption date of January 1, 2011 will require the restatement of Mullen Group's consolidated financial statements, for comparative purposes, for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

Mullen Group planned the transition from current Canadian GAAP to IFRS in 2008, by establishing a project plan and a project team. The project team was led by senior finance members that provided overall project governance, management and support. Project team members also included representatives from various areas of the organization as necessary and external advisors that had been engaged to assist in the IFRS conversion project. Since 2008, the project team reported on the progress of the project plan quarterly to the Audit Committee of Mullen Group.

The project plan consisted of three phases: the initial assessment, detailed assessment and design, and implementation. Mullen Group completed the initial assessment phase which included the development of a detailed timeline, the completion of a high level review of the major differences between current Canadian GAAP and IFRS, and an initial evaluation of IFRS 1 transition exemptions. The initial assessment also included education and training sessions for project team members and discussions with Mullen Group's external auditors and advisors.

Mullen Group has substantially completed the detailed assessment and design phase. The detailed assessment and design phase involved completing a comprehensive analysis of the impact of the IFRS differences identified in the initial assessment phase. During the implementation phase, Mullen Group is implementing the identified changes to business processes, financial systems, accounting policies, disclosure controls and internal controls over financial reporting. Mullen Group also identified and is in the process of making certain changes to business processes and financial systems to assist in the transition to IFRS reporting standards.

IFRS requires significantly more disclosures than Canadian GAAP for certain standards. In certain cases, IFRS requires different presentation on the financial statements. While Mullen Group believes it has performed an appropriate level of analysis in selecting its IFRS accounting policies, actual quantitative results may reveal additional impacts that were not anticipated. IFRS 1 *"First-Time Adoption of International Financial Reporting Standards"* generally requires an entity to apply IFRS retrospectively at the end of its first IFRS reporting period, but there are some mandatory exceptions and some optional exemptions. The following is a summary of the changes Mullen Group believes will be most significant in transitioning to IFRS. The table below is not a complete list of the changes that Mullen Group will be required or may elect to make. Mullen Group has completed its analyses on a preliminary basis but has not yet made final decisions regarding the accounting policies it intends to adopt under IFRS.

Presentation and disclosure	IFRS requires significantly more disclosure than Canadian GAAP for certain standards. Additionally, Mullen Group will make certain adjustments and changes in presentation to its balance sheet effective on its transition date of January 1, 2010. Mullen Group expects that these adjustments and changes in presentation will not impact its debt covenants nor impact its ability to declare and pay dividends.

Goodwill	Mullen Group is required to apply the standards under IAS 36 *"Impairment of Assets"* on the January 1, 2010 transition date. Under Canadian GAAP, goodwill is tested for impairment by comparing the carrying value of goodwill at the reporting unit level compared to its fair value. Under Canadian GAAP, Mullen Group aggregates its Operating Entities into its two operating segments, namely Oilfield Services and Trucking/Logistics, as they share similar economic characteristics. Under IFRS, goodwill is tested for impairment at the cash generating unit level. The cash generating units at Mullen Group are the Operating Entities that make up the operating segments. As a result of this disaggregation of the impairment test under IFRS, Mullen Group expects to recognize a pre-tax goodwill impairment loss related to goodwill of approximately $625.0 million to $675.0 million at transition date with an offset in opening deficit.
Fair value as deemed cost	Mullen Group has the option under IFRS 1 *"First-Time Adoption of International Financial Reporting Standards"* to use fair value as deemed cost on an item-by-item basis of property, plant and equipment, investment property, or on intangible assets. Mullen Group has elected to use fair value as deemed cost for certain parcels of land it owns and expects to have a pre-tax adjustment to the carrying amount of such land by approximately $100.0 million to $115.0 million with an offset in opening deficit.
Business Combinations	Mullen Group has the option to apply IFRS 3 *"Business Combinations"* either retrospectively for all business combinations from a particular pre-transition date elected by the Corporation or prospectively from the transition date of January 1, 2010. Mullen Group has prospectively adopted CICA Section 1582 *"Business Combinations"* effective January 1, 2010 which harmonizes its December 31, 2010 consolidated financial statements under Canadian GAAP with IFRS for comparative purposes. With this decision to adopt CICA Section 1582, Mullen Group expects there to be no differences on transition to IFRS relating to business combinations.
Share-based payments	Mullen Group is required to apply IFRS 2 *"Share-Based Payments"* to equity instruments that were granted after November 7, 2002 that vest after January 1, 2010. Effective January 1, 2010, Mullen Group changed its method of recognizing stock-based compensation expense to a graded vesting schedule compared to the previously used straight line method. With this decision to change the methodology of recognizing stock-based compensation expense Mullen Group expects there to be no differences on transition to IFRS relating to share-based payments.
Income taxes	Under Canadian GAAP, future income tax assets and liabilities are classified as current or non-current as appropriate. Under IAS 12 *"Income Taxes"* future tax is labeled deferred tax. Under IFRS, all deferred income tax assets and liabilities are classified as non-current. As a result, current future income tax liability of $32.2 million will be reclassified to non-current deferred income tax liabilities. This reclassification will not result in a change in total deferred (future) tax liability. The goodwill impairment that arose by way of asset acquisition and the fair valuing of certain parcels of land described above will result in a deferred income tax adjustment to reflect the change in temporary differences resulting from these IFRS adjustments. Mullen Group expects the impact of the change at January 1, 2010 is expected to be a net increase to the deferred tax liability by $2.8 million to $5.2 million with an offset in opening deficit.

Income taxes, (continued)	Under Canadian GAAP, Mullen Group's tax assets and liabilities are offset and presented on a net basis. Under IAS 12 *"Income Taxes"* such current assets and liabilities are offset only if the entity has the legal right and are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time. Mullen Group operates under various provincial and federal jurisdictions and operates various subsidiaries and limited partnerships and accordingly cannot offset such tax assets and liabilities. Mullen Group expects that this will result in approximately $7.2 million of future tax liabilities being reclassified to deferred tax assets on transition date. This reclassification will not result in a change in the total deferred (future) tax liability.
Borrowing costs	Mullen Group has the option to apply IAS 23 *"Borrowing Costs"* retrospectively which allows it to capitalize borrowing costs for borrowing costs directly attributable for an acquisition or the construction or production of a qualifying asset. The analysis performed by Mullen Group did not reveal any situations where Mullen Group has borrowed monies for an acquisition or the construction or production of a qualifying asset. Mullen Group is expected to elect not to retrospectively capitalize any borrowing costs prior to the January 1, 2010 transition date and expects there to be no differences on transition to IFRS relating to borrowing costs.
Leases	Mullen Group currently leases certain trucks, trailers and operating equipment as well as land and buildings. While the concepts of operating and finance leases are very similar between Canadian GAAP and IFRS, IFRS provides more qualitative indicators to apply in the classification of the lease, and does not specify quantitative thresholds to be applied in the lease classification test. Mullen Group expects there to be no difference in classification of leases under IFRS.
Financial instruments	Mullen Group has the option and intends to early adopt IFRS 9 *"Financial Instruments"* only as it relates to classification and measurement of financial assets effective on the January 1, 2010 transition date. As a result, Mullen Group expects to reclassify Investments recorded under Canadian GAAP as a current asset to a non-current asset under IFRS which will result in a reduction of its working capital of approximately $37.7 million. These investments in equity securities will continue to be measured at fair value each period upon transition.
Statement of Cash flow	Mullen Group has the option under IAS 7 *"Statement of Cash Flows"* to present its cash flow statement using either the direct or the indirect method. Mullen Group intends to present the cash flow statement using the indirect method which is consistent with the method Mullen Group uses under Canadian GAAP.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO"), the Co-Chief Executive Officer ("Co-CEO") and the Chief Financial Officer ("CFO") are responsible for designing disclosure controls and procedures ('DC&P') and internal controls over financial reporting ('ICFR') as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Our DC&P have been designed to provide reasonable assurance that material information relating to Mullen Group is made known to the CEO, the Co-CEO and the CFO by others and that information required to be disclosed by Mullen Group in its annual filings, interim filings or other reports filed or submitted by Mullen Group under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation. Our ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Because of their inherent limitations, DC&P and ICFR may not prevent or detect all misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

As of December 31, 2010, the CEO, the Co-CEO and the CFO together with Mullen Group's management have evaluated the design and effectiveness of Mullen Group's disclosure controls and procedures ("DC&P") and ICFR and have concluded that they are effective. In connection with this assessment, no material weaknesses in the Corporation's internal control over financial reporting were identified by management as of December 31, 2010.

Significant Changes in ICFR:

As reported in the MD&A starting in fiscal 2006 and most recently in the fiscal year ended December 31, 2009 and three month period ended September 30, 2010, Mullen Group disclosed material weaknesses associated with a lack of segregation of duties in certain Operating Entities, and the risk of misstatement due to the handling of complex and non-routine accounting and tax related transactions.

Over a period of time, Mullen Group has designed or re-designed, implemented and tested internal control procedures to remediate the controls associated with a lack of segregation of duties in certain Operating Entities.

Mullen Group, in consultation with its external advisors, has implemented additional management and oversight controls to review key transactions. These changes were implemented gradually during the past number of years. In May 2009 Mullen Group converted back to a corporation simplifying its structure and tax complexity considerably. In addition, accounting staff have increased their expertise in handling tax and tax related transactions. Mullen Group believes it has taken the steps necessary to remediate the material weakness relating to the accounting for and reporting of complex and non-routine accounting and related tax transactions as of December 31, 2010.

In conclusion, with these changes having been gradually implemented and tested over time Mullen Group believes it has taken the steps necessary to remediate the material weaknesses relating to a lack of segregation of duties in certain Operating Entities, the risk of misstatement due to the handling of complex and non-routine accounting and tax related transactions as of December 31, 2010.

GLOSSARY OF TERMS AND RECONCILIATION OF NON-GAAP TERMS

The audited annual consolidated financial statements attached to and referred to in this MD&A are prepared according to Canadian GAAP. References to operating income, funds from operations and funds from operations per share are not measures recognized by Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. These non-GAAP measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these indicators should not replace net income or cash flow from operating activities as indicators of Canadian GAAP performance.

Operating Income

Operating income is defined as net income before interest and accretion, income taxes, depreciation on property, plant and equipment, amortization on intangible assets, earnings or losses from equity investments, unrealized foreign exchange gains or losses, change in fair value of investments, stock-based compensation expense and gains or losses on sale of property, plant and equipment. Management relies on operating income as a measurement as it provides an indication of the results generated by Mullen Group's principal business activities and the performance of its operations prior to depreciation and amortization, financing, or taxation in various jurisdictions. Net income is also an indicator of financial performance; however, net income includes expenses that are not a direct result of Mullen Group's operations.

Reconciliation of Net Income to Operating Income

(unaudited)	Three month period ended December 31		Years ended December 31	
($ millions)	2010	2009	2010	2009
	$	$	$	$
Net income	**33.2**	11.1	**79.1**	90.8
Add (less):				
Earnings from equity investment	—	—	—	(0.1)
Provision for income taxes	**8.5**	2.1	**26.6**	20.8
(Gain) loss on sale of property, plant and equipment	**(1.0)**	5.4	**2.0**	5.1
Unrealized foreign exchange gain	**(9.4)**	(4.7)	**(14.1)**	(40.0)
Change in fair value of investments	**(2.5)**	(0.8)	**(7.3)**	(1.4)
Interest and accretion expense	**9.4**	9.9	**39.1**	36.2
Stock-based compensation expense	**0.3**	0.3	**2.1**	1.0
Depreciation on property, plant and equipment	**15.3**	16.0	**57.5**	61.6
Amortization on intangible assets	**4.5**	4.7	**19.0**	18.6
Operating income	**58.3**	44.0	**204.0**	192.6

Funds from Operations

Funds from operations is defined as cash flow from operating activities before changes in non-cash working capital items from operating activities. Management uses funds from operations as an indication of Mullen's ability to generate funds from its operations without the seasonality effect on its working capital.

Reconciliation of Funds from Operations to Cash Flow from Operating Activities

(unaudited) *($ millions)*	Three month period ended December 31		Years ended December 31	
	2010	2009	2010	2009
	$	$	$	$
Funds from operations	**52.3**	33.5	**150.1**	121.0
Changes in non-cash working capital items from operating activities	**(9.1)**	(0.9)	**(55.6)**	91.2
Cash flow from operating activities	**43.2**	32.6	**94.5**	212.2

Funds from Operations per Share

Funds from operations per share is calculated by dividing funds from operations by the weighted average number of shares outstanding for the period. Management uses funds from operations per share as a measure to determine funds generated from its operations on a per share basis for the period without the effect of seasonality on its working capital.

Calculation of Funds from Operations per Share

(unaudited) *($ millions, except share and per share amounts)*	Three month period ended December 31		Years ended December 31	
	2010	2009	2010	2009
	$	$	$	$
Funds from operations	**52.3**	33.5	**150.1**	121.0
Weighted average number of common shares outstanding	**78,706,853**	80,605,298	**79,410,699**	80,605,298
Funds from operations per share	**$0.66**	$0.41	**$1.89**	$1.50

Cash Flow from Operating Activities per Share

Cash flow from operating activities per share is calculated by dividing cash flow from operating activities by the weighted average number of common shares outstanding for the period. Management uses cash flow from operating activities per share as a measure to determine cash flow generated from its operations on a per share basis for the period with the effect of seasonality on its working capital.

Calculation of Cash Flow from Operating Activities per Share

(unaudited) *($ millions, except per share amounts)*	Three month period ended December 31		Year ended December 31	
	2010	2009	2010	2009
	$	$	$	$
Cash flow from operating activities	**43.2**	32.6	**94.5**	212.2
Weighted average number of common shares outstanding	**78,706,853**	80,605,298	**79,410,699**	80,605,298
Cash flow from operating activities per share	**$0.54**	$0.40	**$1.19**	$2.63

Net Income and Earnings per Share – Adjusted

Net income and basic earnings per share – adjusted is calculated by adjusting net income and basic earnings per share by the amount of any unrealized foreign exchange gains and losses. Mullen Group also adjusted net income and basic earnings per share by the amount of income tax expense assuming Mullen Group was taxed as a corporate entity since January 1, 2009.

OUTLOOK

There is a renewed sense of optimism that appears to be taking hold. All indications suggest the financial markets have recovered, confidence has returned to the banking system as well as the equity markets, the economic data continues to strengthen, and crude oil prices are a significant economic contributor in western Canada.

In last year's year-end Outlook we indicated that "the worst is now behind us and that most of the markets we serve would remain competitive as well as challenging for most of 2010." Today we are in near full recovery mode, with the lone exception being our business directly tied to drilling activity – in particular rig moving, which will not return to prior activity and profit levels any time soon. Overall, however, we expect virtually all 26 Operating Entities in the Mullen Group to show year over year growth with the highest growth levels in those businesses with close ties to oil sands activity and oil production, two areas in which we will continue to deploy capital to those of our Operating Entities serving these sectors.

On a corporate level we fully expect to deploy our cash reserves in acquisitions that meet financial and operational criteria. We have already completed one acquisition in 2011 and we are evaluating several other opportunities.

This MD&A contains information as of February 23, 2011.

SEVEN YEAR SELECTED FINANCIAL DATA

Years ended December 31 (unaudited) ($ thousands)	2010	2009	2008	2007	2006	2005	2004
Revenue	$ 1,039,804	$ 978,046	$ 1,314,224	$ 1,119,499	$ 1,003,287	$ 591,728	$ 470,860
Expenses							
Direct operating expenses	709,443	662,522	884,911	764,992	682,132	411,893	328,853
Selling and administrative expenses	126,406	122,960	153,205	141,949	116,509	63,127	47,978
	203,955	192,564	276,108	212,558	204,646	116,708	94,029
Depreciation and amortization	76,474	80,184	79,103	74,445	52,635	22,490	19,871
Interest and accretion expense	39,098	36,163	28,146	21,164	13,612	1,919	2,022
Stock-based compensation expense	2,120	946	2,782	3,428	2,581	3,991	1,954
Unrealized foreign exchange (gain) loss	(14,100)	(39,950)	49,314	(26,641)	7,500	—	—
Change in fair value of investments	(7,244)	(1,381)	6,760	—	—	—	—
Loss (gain) on sale of property, plant and equipment	1,962	5,056	(1,031)	725	(1,256)	(214)	749
Gain on sale of investments		—	—	(30)	(115)	—	—
Impairment of goodwill and intangible assets	—	—	—	275,000	—	—	—
Income (loss) before income taxes and earnings from equity investments	105,645	111,546	111,034	(135,533)	129,689	88,522	69,433
Provision for income taxes							
Current (recovery)	16,418	36,465	1,814	(2,390)	(4,311)	14,017	22,041
Future (reduction)	10,127	(15,607)	2,502	(10,850)	6,866	4,933	1,735
	26,545	20,858	4,316	(13,240)	2,555	18,950	23,776
Income (loss) before earnings from equity investments	79,100	90,688	106,718	(122,293)	127,134	69,572	45,657
Earnings from equity investments	—	122	6,283	3,598	998	391	820
Net income (loss)	79,100	90,810	113,001	(118,695)	128,132	69,963	46,477

Years ended December 31 (unaudited)	2010	2009	2008	2007(1)	2006	2005	2004
Ratios - Operating							
Return on equity	6.7%	8.0%	10.1%	10.6%	14.6%	23.5%	18.9%
Gross margin - percent of revenue	31.8%	32.3%	32.7%	31.7%	32.0%	30.4%	30.2%
Selling and administrative expenses - percent of revenue	12.2%	12.7%	11.9%	13.0%	11.9%	11.3%	10.6%
Operating ratio	88.1%	89.0%	85.7%	88.0%	85.0%	84.7%	84.8%
Financial Position ($ thousands except acid test and debt-to-equity ratio)							
Acid test	2.16:1	2.47:1	1.93:1	2.27:1	1.48:1	1.35:1	1.39:1
Net property, plant and equipment	$ 622,262	$ 613,281	$ 663,088	$ 586,823	$ 558,522	$ 218,357	$ 189,436
Total assets	$ 1,941,014	$ 1,926,887	$ 1,882,077	$ 1,770,490	$ 2,021,245	$ 508,619	$ 400,709
Long-term debt (including current portion)	$ 517,096	$ 528,803	$ 521,445	$ 402,409	$ 346,736	$ 51,534	$ 39,176
Shareholders' equity	$ 1,181,728	$ 1,167,231	$ 1,106,936	$ 1,132,132	$ 1,424,066	$ 327,872	$ 267,975
Debt-to-equity ratio	0.44:1	0.45:1	0.47:1	0.36:1	0.24:1	0.22:1	0.15:1
Funds from operations	$ 150,119	$ 120,983	$ 246,148	$ 193,783	$ 195,345	$ 100,771	$ 69,967
Share Data**							
Funds from operations per share	$ 1.89	$ 1.50	$ 3.06	$ 2.38	$ 2.84	$ 2.18	$ 1.55
Book value per share	$ 15.01	$ 14.48	$ 13.73	$ 17.34	$ 17.38	$ 6.94	$ 5.93
Earnings per share	$ 1.00	$ 1.13	$ 1.40	$ 1.83	$ 1.86	$ 1.51	$ 1.03
Price/earnings ratio	16.9	14.5	9.1	9.6	10.0	21.6	16.1
Weighted number of shares outstanding (thousands)	79,411	80,605	80,492	81,596	68,886	46,261	45,024
Total shares outstanding (thousands)	78,718	80,605	80,605	80,744	81,490	47,256	45,186

**Share data has been restated to reflect the exchange of Mullen Transportation Inc. shares for Mullen Group Income Fund units on a one-for-three basis.

(1) 2007 operating ratios and share data are calculated before the effect of the impairment of goodwill and intangible assets.

Notes:

1. Return on equity was calculated by dividing net income by average shareholders' equity.
2. Gross margin was calculated by dividing sales less direct operating costs by sales.
3. Operating ratio was calculated by dividing the total cost before taxes, interest and unrealized gains and losses on foreign exchange, as a percentage of revenue.
4. Acid test ratio was calculated by dividing cash plus receivables by current liabilities.
5. Debt-to-equity ratio was calculated by dividing total debt by shareholders' equity.
6. Funds from operations was calculated as funds from operations before the effect of changes in non-cash working capital items from operating activities.
7. Funds from operations per share was calculated by dividing funds from operations by weighted average number of shares outstanding.
8. Book value per share was calculated by dividing shareholders' equity by the number of shares outstanding.
9. Earnings per share was calculated by dividing net income by the weighted average number of shares outstanding.
10. Price/earnings ratio was calculated by dividing year-end closing price by earnings per share.

Mullen Group Ltd.

2010 FINANCIAL REPORT

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Murray K. Mullen
Chairman, Chief Executive Officer and Director

Alan D. Archibald[1], [2]
Director

Greg Bay[1], [2]
Director

Steven C. Grant[1], [2]
Director

Dennis J. Hoffman, CA[1], [2]
Director

Stephen H. Lockwood, Q.C.
President, Co-Chief Executive Officer and Director

Patrick Powell
Director

P. Stephen Clark
Chief Financial Officer

Roberta A. Wheatcroft
Corporate Secretary

(1) Member of the Audit Committee

(2) Member of the Compensation, Nomination and Governance Committee

CORPORATE OFFICE

Mullen Group Ltd.
Chimney Rock Centre
121A, 31 Southridge Drive
Okotoks, Alberta T1S 2N3
Telephone: (403) 995-5200
Canada/U.S.: 1-866-995-7711
Facsimile: (403) 995-5296
Internet: www.mullen-group.com
Email: IR@mullen-group.com

BANKER

The Royal Bank of Canada
Calgary, Alberta

LAWYERS

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

STOCK EXCHANGE

Toronto Stock Exchange
Trading Symbol: MTL

TRANSFER AGENT AND REGISTRAR

Canadian Stock Transfer
(formerly CIBC Mellon Trust Company)
Calgary, Alberta
Telephone: (403) 232-2400
North America: 1-800-387-0825
Outside North America: 1-416-643-5000
Internet: www.cibcmellon.com

DEBENTURE TRUSTEE

Valiant Trust Company
Calgary, Alberta
Telephone: 1-866-313-1872
Internet: www.valianttrust.com

121A - 31 Southridge Drive
Okotoks, Alberta T1S 2N3
www.mullen-group.com

CHAIRMAN'S MESSAGE To Our Shareholders 2010

Lights, Camera – Action !

The stage has been set. The rehearsals are finished. And now the show begins. What this means is that I fully expect 2011 to be a very good year for the Mullen Group.

In this year's annual message I will crystallize the reasons for my optimism. Like all good movies it starts with all of the hard work behind the scenes. That is what creates the opportunity for success.

THE STAGE

This section speaks to the macro picture and the potential impact on Mullen

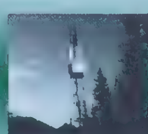
For investors everything begins with the financial markets and the flow of money. This is a fundamental that I watch carefully because it has such a profound influence on the directional move for almost all asset classes, and ultimately the economy. What is less understood is how confidence impacts the financial markets and, perhaps even more important, what triggers either a positive response or its opposite – the lack of confidence.

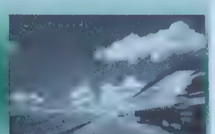
The near-meltdown of our financial system in late 2008 and early 2009 occurred after years of economic expansion, fuelled not by sound economics but rather by creative accounting and gambling, all perpetrated by the irresponsibility of those entrusted by the people to manage the system. The failure unfolded not because people wanted to stop working or that businesses wanted to stop investing, but rather from fear. Everyone lost confidence in the financial markets, in the banking system, and subsequently in each other – at the same time. We all lost trust and when you lose trust your confidence is eroded, and rather quickly.

Confidence in the stability of the financial system is restored.

But there is good news and perhaps – just perhaps – the news could be very good. Governments and treasury departments throughout the world have collaborated on flooding the financial markets with money, which has stabilized these markets, at least for now. More important I believe every company, every bank and every mortgage lender very quickly delved deep into their business to better understand the risks facing their business.

Mullen Group





Businesses are investing again.

This process formed the foundation from which trust in the system could be restored. It allowed every entity to consider where the real risks were. Through it all we found out that yes, there are risks. There are risky assets – in fact some bad assets. But at the end of the process, all of these were manageable. Today we have financial markets that have been largely stabilized and trust has begun to be restored – and with this, confidence has returned. For how long, I have no idea but I believe that most investors have learned from this crisis and are now better prepared, more informed and much wiser. There will be issues and some bumps along the road, but I believe these will be manageable. It is only when trust is eroded that we must be scared. From my perspective and the people I speak to, it is evident that trust is back.

The consumer has returned.

What this means is that money is flowing again, providing businesses with the capital to invest. Economies around the world have or are nearing full recovery from the "great recession". This means that those who have jobs feel a greater sense of security and have once again opened up their wallets. And to those who got hurt the most – the unemployed – at least there are now opportunities for employment. **The bottom line is that the overall economy is doing quite well – good news for Mullen shareholders.**

But there is even better news. In western Canada we are on the cusp of an economic boom of sorts driven by higher commodity prices, particularly for crude oil. Everyone will know that western Canada is blessed with an abundance of raw materials – all things the world needs. We also happen to be in one of the most stable parts of the world. This unique combination of high crude oil pricing and availability of supply in a secure part of the world has attracted the interest of investors, is providing significant new capital and is fuelling economic expansion in western Canada. **Mullen has a significant business leveraged to the western Canadian economy.**

Technology has changed the oil and natural gas industry.

There is a further reason for optimism as we enter 2011: technology – a catch-all term in my opinion for how to do things quicker, safer and more productively. Specific to our business is a major change in the oil and natural gas industry. Multi-stage fracturing, (MSF), is a technique used to free up hydrocarbons locked in rock formations deep underground that has dramatically altered the economics for natural gas and light crude oil. MSF was introduced by the industry as a means to unlock, in a more cost advantageous way, natural gas in less permeable or "tight" formations. After years of development this process is now widely applied to natural gas reserves throughout North America, leading to the current over supply situation. This has had a profound negative affect on producers and service companies in western Canada that rely upon natural gas, in two main ways. The U.S. market is now less reliant on imports from western Canada. Secondly, prices for natural gas have declined precipitously from the range of $12 per thousand cubic feet (mcf) a couple of years ago to current levels below $4 per mcf. This has severely impacted Mullen's rig moving business and it may take years before full recovery. This is the bad news for Mullen.

There is however, a silver lining to the introduction of MSF drilling techniques. The industry is now utilizing this very same technology to unlock light crude oil deposits in plays in western Canada and the U.S. that were once overlooked or abandoned due to poor economics. These known plays contain billions of barrels of light oil, which at current pricing levels and with MSF techniques, are once again economic – and highly so in many cases. **Mullen is well-positioned to benefit from the resurgence of western Canada's oil fields.**

THE REHEARSAL

This section spells out the steps Mullen has taken over the past two years and the impact of these decisions on our performance in 2010.

2010 Financial Performance was up marginally, as expected.

Last year my expectations were that our 25 business units, on the whole, would do better than in 2009. Our revenues grew by a modest 6 percent to over $1 billion, with all of the growth back-end loaded into the last half of the year. Operating income, or EBITDA, rose to $204 million and we maintained our operating margin at 19.6 percent, which I consider an accomplishment given the challenges we experienced in the first two quarters, accompanied by reinstating the employee profit share plan. This is significant to both Mullen shareholders and employees. For 2010 we distributed over $13 million to 800 plus individuals in our organization, the majority who oversee and manage the business on behalf of our shareholders. This compares to zero in 2009, the year of the great recession, when we suspended the plan. Profit sharing has long been a key component of our business model. At Mullen our wholly owned business entities are operated as stand-alone independent businesses. Our goal is to attract and retain talented, entrepreneurial-driven individuals who operate the business as if it was "their own money" being employed. Profit sharing is a means of aligning the interests of shareholders with those who manage the business. Lets look at a few examples.

Profit Sharing is a key element of our strategy. It rewards success.

The two largest business entities in the Mullen Group are two of our most successful and were significant contributors to Mullen's 2010 performance. The Kleysen Group, based in Winnipeg, Manitoba, is one of Canada's largest trucking and logistics providers, and is led by an excellent business leader, Jeff Kleysen, who is supported by a professional and talented management team. Not only do they operate a first-class organization, they continue to amaze me with new business opportunities, the largest being the acquisition of Smook Bros. (Thompson) Ltd., a 60-year-old construction company based in Thompson, Manitoba. Why would Mullen invest in a construction company? The simple answer is: Jeff told me they were a good company! After we completed our due diligence, it was clear that Jeff was right. Smook Bros. is an excellent company with a great brand, generating the majority of their business from one of Kleysen's core customers – Vale Canada Ltd. – a world-class supplier of iron ore and concentrate. The basic value proposition to Mullen is that so long as the world (particularly China and India) continues to expand its vast economy there will be demand for iron ore, and Thompson, Manitoba is a great supply source.

Canadian Dewatering secured new business in the oil sands.

Canadian Dewatering L.P. is the fastest growing business entity in our group. What Dale Marchand and his team have accomplished over the past few years is nothing short of amazing. Today Canadian Dewatering is the largest provider of trailer or skid-mounted diesel pumps, submersible centrifugal pumps, and diesel generators associated with the suction and discharge of fluids, dredging, barge rentals, and commercial diving services in Canada. It serves the industrial, mining, oil and natural gas, construction and public works sectors.

In 2010 Canadian Dewatering began a new venture with one of its key clients, Suncor Energy Ltd. As the largest player in Canada's oil sands, Suncor took the lead in finding new methods to reduce its environmental footprint. As part of this strategy they worked closely with Dale and his team on a number of initiatives associated with Suncor's oil sands tailings ponds. In early 2010 Canadian Dewatering brought its business plan and capital request to Mullen's Board of Directors and today our shareholders have an opportunity to realize benefits from these initiatives.

The acquisition Kleysen recommended, and Canadian Dewatering's initiative with Suncor, are just two examples of how our profit share plan aligns with our shareholders' interests – profitable growth – with the leaders of our business entities – performance pay.

Rig Moving has been negatively affected by new drilling techniques.

Unfortunately, we do have a few entities that have seen their businesses struggle this past year, all of them associated with oil and natural gas drilling in western Canada. Moving drilling rigs, once the darling of the Mullen Group, has been hit the hardest primarily because of the technology revolution associated with MSF and pad drilling. There are fewer big rigs working, and they move less frequently and typically over much shorter distances. This is a bad combination for the rig movers that ramped up capacity to meet the needs of the drilling industry in 2006 and 2007 when over 24,000 wells were drilled annually in western Canada. By comparison, in 2009 and 2010 there were only 8,401 and 12,134 wells drilled, respectively, many of them in Saskatchewan where we have a small market presence. The results were not pretty.

Twenty-ten was also an awful year for our Treo Drilling group, a drilling company specializing in core drilling for the oil sands industry. Capital for these projects remained extremely limited last year and, as a result, Treo had another very challenging year. Core drilling for the oil sands is a highly specialized business which generally must be conducted in winter when the ground is frozen, allowing access to these remote locations. When our customers restrict their investment budgets, as they did in 2009, we are hurt. Thankfully capital is once again being committed to oil sands projects and the Treo group can begin rebuilding after two tough years.

Mullen generated approximately $200 million of EBITDA in each of 2009 and 2010. Strong results, considering the economic challenges.

For the Mullen Group 2008 was the high-water mark in financial performance and one we are determined to return to. The last two years, while difficult, have not been lost. We suffered along with many others, but we managed through what has often been referred to as the worst years since the Great Depression. The strength of our business model was validated because through it all we still generated EBITDA of approximately $200 million in each of 2009 and 2010. We now know how our business performs during the worst of times making it much easier to be positive about the future. Mullen is well-capitalized with a well-structured balance sheet designed to maximize shareholder return without taking undue risks from undisciplined leverage. We operate in the best place in the world, an area that's rich in resources, and is safe and secure. Investors around the world see the value of investing in Canada. At Mullen we will capitalize on future opportunities, whether through internal growth or acquisition. Regardless of the opportunity our senior team and the Board of Directors will carefully evaluate the deployment of any capital.

Mullen owns approximately 14 percent of Logan International.

One of the more interesting investment opportunities in 2010 was Logan International Inc., (which trades on the Toronto Stock Exchange under the symbol LII-T), a world-class manufacturer and distributor of downhole tools, many of which are used in the development of unconventional oil and natural gas plays. Our view was that Logan could be a major beneficiary of MSF. With this in mind we bought as much of Logan as we could at the price we were prepared to pay. As of December 31, 2010 Mullen owned 4.5 million shares of Logan, or 14 percent of the outstanding stock at an average cost of $5.00 per share.

Logan is a first-class company with an international footprint, operated by a motivated and very smart management team. Companies like this are very attractive to Mullen. Since we could not acquire all of Logan's shares at the price we wanted, we opted to buy as many as we could. We fully expect Logan will be a great investment.

All in all it was a very busy couple of years and I fully expect that our shareholders will benefit from the hard work and decisions made during rather chaotic times.

THE SHOW

In this section I will speak about the future and the opportunities for the Mullen Group during this business cycle, which in my view is in the early stages of modest growth.

2011 is expected to be a very good year for Mullen.

Twenty-eleven is shaping up to be very good. The economy remains on solid ground and barring any unexpected event this is good news for our eight businesses in our Trucking/Logistics segment. Of course an economy expanding at 2.5-3.5 percent annually is not in itself sufficient to support high growth rates in our businesses. We intend to supplement modest internal growth rates with timely and accretive acquisitions. Our primary focus remains in western Canada where growth rates are expected to be higher and margins more conducive to capital expansion.

Capital investment in Canada's oil sands will be significant.

In our Oilfield Services segment we entered 2011 with 19 business entities servicing the oil and natural gas industry. The recovery in crude oil pricing is very positive news. In particular the renewed interest in Canada's oil sands is forecast to include investment somewhere in the neighbourhood of $100 billion over the rest of this decade. Just as important to Mullen is that once these massive projects are built they require a lot of ongoing maintenance services, which we either provide or support the provision of. Now that the industry has endorsed proactive management of its environmental footprint, additional capital and manpower will be required to meet new regulatory requirements, another growth opportunity for Mullen.

Higher crude prices and MSF techniques have revived western Canada's oil plays, however natural gas pricing remains low due to oversupply.

Higher oil prices and MSF techniques have regenerated western Canada's oil plays, creating significant opportunities for our eight business units focused on fluid hauling and production services. We expect significant new capital to be required just to keep up with the demand in this part of the business. This sector is attractive to Mullen and we will continue to supplement internal growth with the acquisition of small to mid-sized competitors. Our objectives will be two-fold: first is growth and second is to improve margins. Overall, rates of well drilling in western Canada will remain well below previous highs and, as such, we will under-invest in the rig moving business until we are confident that the opportunities meet our investment thresholds.

2011 revenues should top $1.2 billion.

Annual Dividends increased to $1.00 per share.

We are confident that Mullen's consolidated revenues will grow substantially in 2011, exceeding $1.2 billion. Our accompanying objective is to improve on last year's operating margin of 19.6 percent. With improving business fundamentals, a strong balance sheet, $100 million of cash on hand to fund growth, and knowing that our business model could withstand the challenges of a severe downturn, your Board of Directors approved a $50 million capital program for 2011, capital that will enhance the competitiveness of our existing businesses. Importantly to shareholders, the Board also resolved to increase Mullen's annual cash dividend payment to $1.00 per share.

Mullen is well-positioned with a strong market presence in one of the best economies in North America. We have a well-structured balance sheet and a strong currency, and we generate free cash. These attractive fundamentals are supported by a motivated and talented management team, one that we will continue to challenge to ensure we maintain best-in-class status. We know this is not easy to attain and is much harder to retain, but it's an absolute must in our competitive world. And by doing so, our employees, contract owner-operators and shareholders will benefit alongside the senior management team.

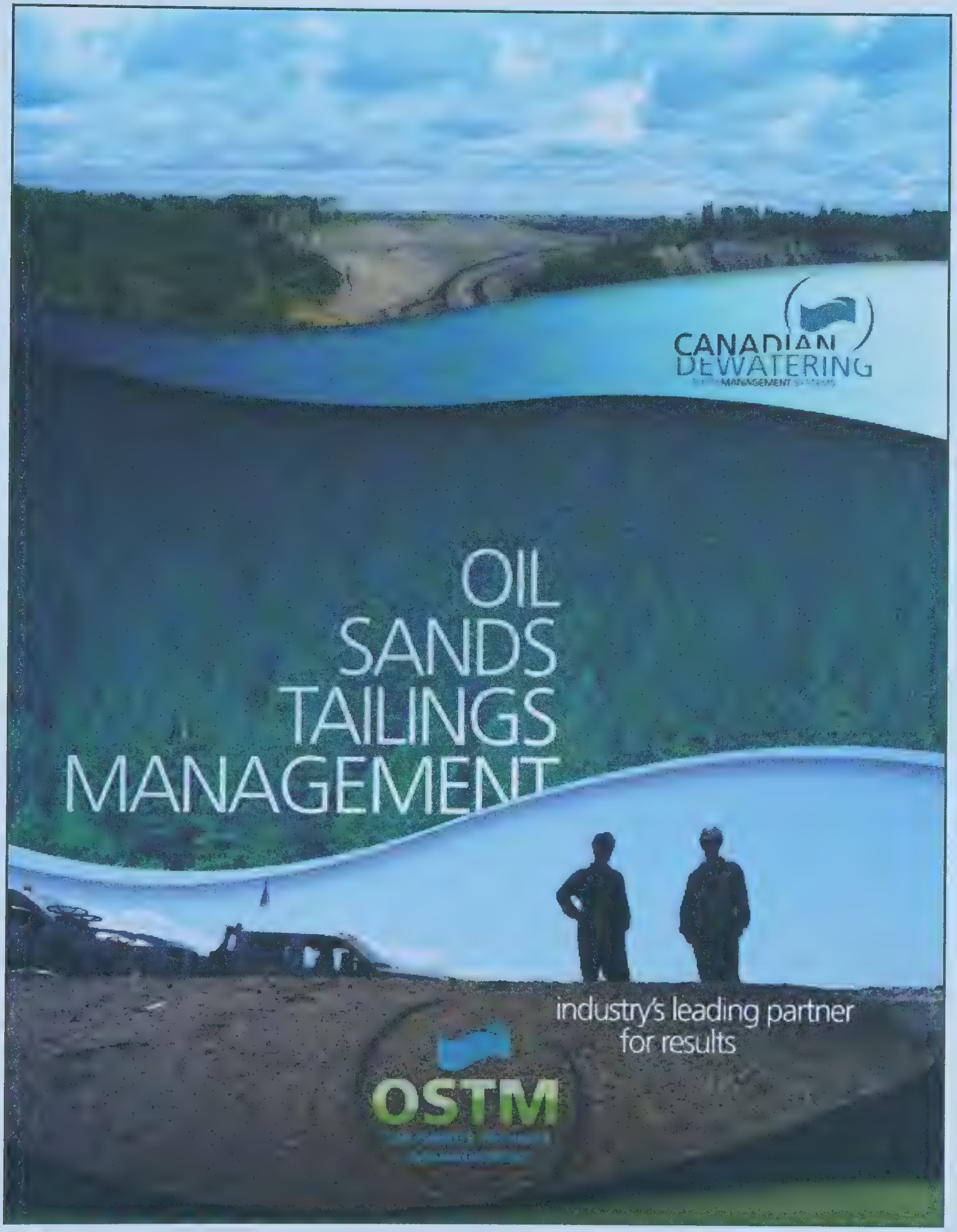
FINAL COMMENTS

Success should never come easy, otherwise it will not be sustainable. These past two years tested our organization on many levels and it is with much pride that I can say we are a better company today than two years ago. To be part of an organization like Mullen and to be in a leadership position is a privilege, one that I enjoy and value immeasurably. For this I say thanks to our over 4,500 employees and owner-operators who contribute so much. Without you we have no company. Leadership is a privilege, not a right. With this in mind I understand that I must continue to represent you to the best of my ability.

Lastly, I want to say thank you to a very good friend. Pat Powell joined our Board in 2006 as part of the acquisition of Producers Oilfield Services, always providing a voice of calm during difficult times. He is an energetic entrepreneur who will be continuing to oversee his many other investments and I thank him for his years of service to our organization.

Sincerely, and on behalf of your Board of Directors,

Murray K. Mullen
Chairman and Chief Executive Officer
March 8, 2011



Canadian Dewatering is a key service provider to Suncor Energy Ltd. as it relates to Suncor's tailings management plan which, in April of 2010, included Suncor awarding Canadian Dewatering a major contract to build a state of the art Thin Fine Tailings Barge System which will be used by Suncor as part of their tailings reduction operations in the Fort McMurray, Alberta region.

Our Life is the Highway™

BUSINESS UNITS

Oilfield Services Segment

DRILLING SERVICES

OK Drilling Services L.P.
Treo Drilling Services L.P.

PRODUCTION SERVICES

Brady Oilfield Services L.P.
Cascade Energy Services L.P.
E-Can Oilfield Services L.P.
Heavy Crude Hauling L.P.
Panda Tank & Vac Truck Services Inc.*
Pro North Oilfield Services
R.E. Line Trucking (Coleville) Ltd.
Spearing Service L.P.

DRILLING RELATED SERVICES

Formula Powell L.P.
FSJ L.A.N.D. Transport L.P.
Mullen Oilfield Services L.P.
Pe Ben Oilfield Services L.P.
Swanberg Bros. Trucking L.P.
Withers L.P.

SPECIALIZED SERVICES

Canadian Dewatering L.P.
Premay Equipment L.P.
Premay Pipeline Hauling L.P.

Trucking/Logistics Segment

Cascade Carriers L.P.
Grimshaw Trucking L.P.
Kleysen Group L.P.
Mullen Trucking L.P.
Payne Transportation L.P.
Smook Contractors Ltd.**
Tenold Transportation L.P.
Mill Creek Motor Freight L.P.

*Acquired in January 2011
**Acquired in April 2010 (formerly Smook Bros. (Thompson) Ltd.)

Chimney Rock Centre
Third Floor
121A – 31 Southridge Drive
Okotoks, Alberta T1S 2N3

Phone: (403) 995-5200
Toll Free: 1-866-995-7711
Fax: (403) 995-5296
www.mullen-group.com

To Our Unitholders

Chairman's Message

To say that these are challenging times is an obvious understatement. Daily we are innundated with a deluge of negative news, from a near collapse of the financial system that we once so naively believed was safe and sound, to the most dangerous of all – job losses. These pronouncements can scare anyone as we struggle to understand what will happen next!

The Chairman's annual message has traditionally conveyed all the reasons why one should invest in your company. All the feel-good reasons such as growth, profits, and we're the best. If I was to follow tradition and just focus on Mullen's 2008 results I would have lots to talk about. Record revenues, record operating profits, acquisitions, $144.8 million in distributions to investors and, generally speaking, excellent all-around results. Unfortunately these results, while impressive, are the last thing on investors' minds today. One only needs to look at the trading price of our Fund to see that investors have a much different view of the future. The questions I get today are significantly different from those investors posed in the past which indicates to me that investors, like our employees, are scared.

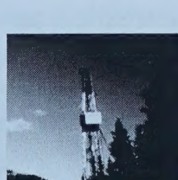
As such I will use my allotted time this year to share how we at the Mullen Group view the current situation. More important, I'll outline the changes and steps we have already implemented. I won't waste your time revisiting how or why the world got into this mess since today's media is full of opinions from Monday morning quarterbacks. Rather than venting – which is neither helpful nor productive – my time must be spent on NOW.

THE CURRENT SITUATION

When conditions change I find it helpful to reflect on the forces at work. And through this understanding I try to find a way to make the change work for rather than against me. In terms of Mullen and the markets it serves, the most significant change of the last 15 years, give or take a few years, relates to the credit markets. In last year's annual Chairman's Message I mentioned this issue and predicted that a credit crunch would slow the pace of economic expansion worldwide. I was cautious about our opportunities for growth in 2008. Obviously, I erred in being too cautious given our 2008 results as evidenced by our performance which reflects our diversified business model, brand-name subsidiary companies and a talented team at the helm of each subsidiary.

My timing was off by a year, but those concerns now appear to be justified.

Did I believe the tightening credit markets would turn into a full-blown credit crisis? No. But this is now a reality and we must deal with it. Conditions have changed and we must find ways to make the change work for us. Make no mistake – the credit crisis is now an economic crisis, which really means that regardless of how good a company we have, or how skilled we are as employees or managers, demand for our services will fall if our customers slow their investing activities, or worse yet, get themselves into trouble.



Mullen Group INCOME FUND

I fully expect 2009 to be a very challenging year. How challenging has yet to be determined, and how tough will depend on how well one is prepared to withstand the next few quarters. We know demand will eventually return, perhaps not as robust as in the past, but when it does, we must be ready for it. I cannot predict the exact timing of a recovery, but there will undoubtedly be some signs anticipating its arrival.

THE 3 Cs

The challenges Mullen faces in the near term, together with future opportunities, can best be summarized I believe by what I refer to as the 3 Cs – CREDIT – COMMODITIES – CONVERSION. I'll explain how each of these influences our organization, our investors and our employees.

First, the CREDIT ISSUE. Credit is to the financial system what fuel is to our vehicles, and we all know you can only go so far on one tank of gas. We take it for granted that when the fuel light goes on we can pull into the nearest gas station, fill up and proceed to our destination. In many respects credit was also taken for granted; if we needed more, whether personally or in our businesses, we simply got more. As a result, the world became addicted to easy credit accelerating past economic growth.

But credit is unlike fuel in one very important aspect: for credit to be available today and in future there must be a level of confidence that the credit will be repaid. What is lacking today is confidence, and until it returns the current economic decline will persist. This is obviously troublesome to both our investors and employees; unfortunately, it is beyond our control. What we can and must do is adapt, change and innovate to ensure that the Mullen Group survives what I expect to be a painful period. We have already taken some very important and visible steps.

2008 Initiatives

In September 2008 we started with three initiatives. After explaining the situation to our entire workforce we asked all employees to accept a wage freeze. We implemented a no-hiring policy for all salaried positions, choosing not to replace vacated positions. And we asked everyone to focus hard on controlling all costs and finding productivity improvements throughout our large and diversified organization. Our people responded as true professionals, just another example of the quality and the commitment of our dedicated people.
By December the economic outlook began to worsen at an accelerated pace forcing another round of initiatives. We suspended our profit share plan for 2009. This was particularly difficult for me because we have always rewarded our business units, and for that matter our senior executives, for superior performance just like our record-setting performance in 2008 which resulted in record total profit share payouts in 2008. After much deliberation I announced the suspension of profit share for 2009, job-sharing where practical and extended the time-off without pay for those who could afford it, all in the hopes that we could protect as many jobs as possible. Once again our employees responded with class. Together, we recommitted ourselves to saving as many jobs and minimizing the pain for those most affected as possible, recognizing that profit share will return as confidence improves, credit starts flowing again and the economy is back on track.

Let's talk about COMMODITIES, particularly crude oil and natural gas, which have more to do with our business than any other factor. In 2008, the Oilfield Services segment contributed approximately 63 percent of our $1.3 billion in revenues. Furthermore, a large portion of our Trucking/Logistics business is also linked to the oil and natural gas sector. Today, crude oil is hovering between US$35-$40 per barrel for benchmark WTI, an obvious shock to our customers that reveled in US$140 oil a year ago. As a result, many of our customers have already curtailed oil drilling, oil sands development and infrastructure construction until crude oil prices recover.

Natural gas prices are also way off their 2008 highs which will be reflected in reduced natural gas drilling in 2009. The net result is that many of our energy-related businesses will see demand levels fall – probably to multi-year lows. I assure you that as with previous downturns Mullen will survive. We will right-size our business units and await the recovery in commodity prices, confidence to return to the energy sector and capital to once again flow to our customers. I say this confidently because the cure for low crude oil and natural gas prices is low prices. Low prices curtail investment which leads to tighter supplies and ultimately higher prices. The cycle will continue.

CONVERSION TO A CORPORATION

Now that you have a clear picture of our current initiatives and outlook, let me speak briefly about the last topic – CONVERSION. Many readers may recall that in my 2007 Chairman's Message I suggested investors "should start preparing for what's next" and that a conversion from the income trust model to a traditional corporate structure was likely in 2009. Our investors will be asked to approve the

conversion at this year's Annual and Special meeting of unitholders on April 29, 2009. While details of the conversion are explained in the Management Proxy Circular, I'll highlight a few of the more compelling reasons for this initiative.

Consider this: since July 2005, when Mullen Group Income Fund was formed, we have returned $472 million, or $6.44 per unit, to our investors. This is an astonishing amount of money. Moreover, it validates the strength of the Mullen Group. When the markets afforded our businesses the opportunity to generate profits and cash, they did so, and we delivered cash distributions to our investors in the most tax-efficient manner allowed by law. However the federal government's changes to the tax structure requires us to make changes. Consequently, Mullen will revert to a traditional corporation, rebuild its balance sheet, and pay our investors a reasonable dividend from future earnings.

FINANCIAL STABILITY

Many have asked and will continue to ask about our balance sheet and in particular the year-end 2008 long-term debt of $518 million. My response is this: we made substantial amounts of money over the years. We paid our investors substantial amounts of money over the same period. We also grew our businesses by acquiring a number of quality companies, which was financed using debt as part of our capital structure. In 2006, when interest rates and financial covenants were favourable, we raised long-term debt through the private debt markets. More important, the debt does not start maturing until 2016, providing Mullen with many years to systematically approach the debt repayment. From this perspective, while the long-term debt appears high, the fact is that the debt is manageable, requires interest only payments, and generally speaking is not due until the beginning of 2016.

The other aspect of our debt is our bank debt. In 2008, we accessed a portion of our $150 million line of credit in order to acquire the transport division assets from Essential Energy and to fund our growth in the last half of the year. I fully expect Mullen will pay down these funds by year-end 2009. Obviously the conversion strategy is an important element here. By converting we conserve cash, and will be better positioned to continue our growth initiatives when there are clear signs of economic recovery. Until then, we will conserve cash, reduce debt and focus on the cost side of our business.

In early March 2009 we strengthened our balance sheet significantly with a successful offering of $125 million of convertible subordinated debentures. With these funds we are well positioned to continue growing the Mullen Group as opportunities are presented, but we will select our investments thoughtfully and carefully knowing that patience and disclipline will serve our investors well. I must thank the Fairfax Financial group for their support and investment in Mullen and in particular, Mr. Watsa. Fairfax Financial was the lead investor on this very successful offering and we are pleased to have them as long-term investors.

DEEPLY COMMITTED AND RESILIENT

There is deep commitment and resilience within the Mullen Group. We are concerned, of course, about fellow employees who will see their hours reduced, their pay cut or perhaps temporarily laid off. We are concerned about the lack of confidence in the financial markets and the negative impacts on the economy, our customers and our business. Despite these concerns, we remain resolutely committed. Committed to operating the best, most efficient business we can. Committed to working as a team, and supporting our fellow employees where we can. We will emerge from this economic downturn and when we do our investors will be rewarded.

I say this confidently because we have been through many challenges throughout our history. We will celebrate our 60th year in business in 2009. Not all were banner years – but we survived. We did so because we worked hard and we supported each other. In the early days when the business was owned by my father – Roland Mullen – we found strength within our family and a few loyal employees. Today we just have a bigger family, but just as strong. The rules of sustainability and survival do not change over time – we know the lessons of discipline and sacrifice well and will apply them.

Many thanks to all for a tremendous job in 2008. You helped Mullen generate $1.3 billion in revenue, $275 million of operating income and returned $144.8 million to our investors. That's an extraordinary accomplishment considering that 2008 was a less than optimal business environment.

Sincerely, and on behalf of your Board of Directors,

Murray K. Mullen
Chairman and Chief Executive Officer
March 15, 2009

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Treo Drilling Services L.P.

PRODUCTION SERVICES

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E-Can Oilfield Services L.P.
Heavy Crude Hauling L.P.
Pro North Oilfield Services
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Mullen Trucking L.P.
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Tenold Transportation L.P.

Chimney Rock Centre
Third Floor
121A - 31 Southridge Drive
Okotoks, Alberta T1S 2N3

Phone: (403) 995-5200
Toll Free: 1-866-995-7711
Fax: (403) 995-5296

www.mullen-group.com

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